

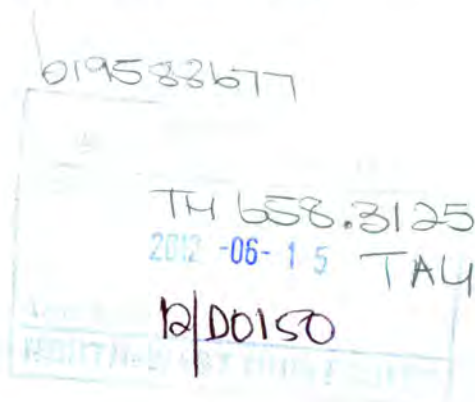
The Role of Behavioural Factors in the Creation of Organisational Performance Management Systems in the Municipalities of the North West Province

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ABSTRACT

The primary objective of the study was to find the root causes of the municipalities' inability to report on their organisational performance as required by the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000). A preliminary literature study on performance management was conducted in search of relevant studies that could be used as a foundation for the required answer. Secondly, interviews were conducted with municipal performance management systems practitioners and municipal managers in an attempt to validate, and further, explain the normative findings.

The study was conducted in 24 municipalities of the North West province. It was expected that all municipalities had used the organisational performance management system for more than seven years, since July 2001. The target sample comprised of members of the executive committees, municipal managers, senior and middle managers. The research population for the study contained 528 participants.

This study was quantitative, as data was collected through self-administered questionnaires from municipal councillors and senior managers. The method of study was primarily quantitative in nature, but also incorporated qualitative techniques used to enhance the quality of data collection, and validate the available data. This option was considered because there was limited secondary data on the effects of behavioural factors and organisational culture on the effectiveness of performance management systems.

Triangulation was used as a way of demonstrating reliability, and validity in this research project. This means that, different techniques of data collection, like participant observation, and a review of departmental records, were used, in addition, to the questionnaire that was distributed, as a way of gaining different insights into the management dilemma.

The study was subject to a number of limitations. Firstly, the research population was not necessarily representative of all municipalities in South Africa, as the study was only carried out in selected municipalities. Secondly, the respondents to the

questionnaire may have rated their own municipalities more favourably than an outsider would have done. Thirdly, there may well be other dimensions that influence performance-driven behaviour, which have not been included in the design of the Performance Management Analysis Questionnaire.

Five behavioural factors that disabled municipalities in the North West province to produce annual reports, as required, were identified. These were managerial leadership commitment; knowledge; alignment; balanced performance framework; and communication.

The empirical research revealed that, the identified behavioural factors interact to form a vicious cycle that impedes the effective development and implementation of municipal organisational performance management systems. It was found that the majority of municipal stakeholders do not understand the purpose and the benefits of organisational performance management.

Because of this misunderstanding, councillors see the system as a tool that enables them to settle scores with managers that are regarded as anti-revolutionary. Consequently, top and senior managers are appointed not for the value their knowledge could bring to the municipality, but rather, for their support for the so-called revolution. Also, due to an absence of alignment between the leadership direction and the strategic performance framework attributable to the lack of knowledge and commitment, municipalities are ultimately unable to effectively communicate their performance measures and results.

KEY WORDS

Alignment; Communication; Knowledge; Leadership and Management Commitment; Organisational Performance Management Systems; Performance Framework; Performance Measurement; Performance Review; Planning and Performance Management Regulations; Behavioural Factors.



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Although I am the author of this thesis, the Graduate School of Business and Government Leadership of the North West University (Mafikeng Campus), under the leadership of Mr Dan Setsetse, contributed immensely in the administration side of the research. Moreover, the researching for a thesis of this magnitude is by no means a single person project.

I would like to thank Rebone Evelyn Tau from the bottom of my heart. As partner and wife, Rebone worked with me over many years and encouraged me to study strategic management and performance management further, to contribute to the body of knowledge and increase the capacity of organisations to inculcate a culture of performance management. Her experience, imagination and intelligence have been immeasurable assets to this thesis.

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style and content has been significant and is gratefully acknowledged here. Mr Faan Louw of the North West University's Economics Department (Mafikeng Campus) was instrumental in the statistical analysis of the quantitative data aspects of the questionnaires. My gratitude goes to him for his patience and support.

I would like to acknowledge all members of the Colloquium Committee who communicated and openly shared their experiences, constructive critique and knowledge with me. I owe special gratitude to Mr Iqbal Mohamed Motala (Head of Department of Developmental Local Government and Housing) for allowing me to conduct the research on local government performance in the North West Province.

Let me finally acknowledge the work of Professors Kaplan and Norton, de Waal and Neeley. The work of these intellectuals, since 1996 with the discovery and publishing of the Balanced Scorecard through the Performance Prism to the present work on the role of behavioural factors and organisational culture in the implementation of organisational performance management systems, created a wealth of knowledge that increased my intellectual capacity pertaining to the field of performance management and measurement. They have been the global proponents of performance management and measurement. Their work, always practical and incisive, has inspired me and sustained my efforts throughout the writing of my research. The work of international researchers like Lingle and Schiemann, 1996; Gates, 1999; Maisel, 2001; Johnston et al, 2002 and Ho and McKay, 2002 on the role of behavioural factors that impact the effective implementation of organisational performance management systems is acknowledged and appreciated.

Above all, praise goes to the almighty God, the divine giver and source of all life, health and wisdom. May God bless you all and peace on earth to all!

ACRONYMS

AGFI	: Adapted Goodness of fit Index
BBNNF	: Bentler-Bonnet's Non-Normed Fit Index
BSC	: Balanced Scorecards
CA	: Cluster Analysis
CEO	: Chief Executive Officer
CFA	: Confirmatory Factor Analysis
CFI	: Comparative Fit Index
CFO	: Chief Financial Officer
DPLG	: Department of Provincial and Local Government
EM	: Expectation Maximization
EXCO	: Executive Committee
F	: Factor
FA	: Factor Analysis
GFI	: Goodness of fit Index
HOD	: Head of Department
ICT	: Information and Communication Technology
IDP	: Integrated Development Plan
IT	: Information Technology
LD	: List-wise Deletion
LM	: Maximum Likelihood
LV	: Latent Variable
MBO	: Management- By-Objectives
MEC	: Member of the Executive Council
MM	: Municipal Manager
PD	: Pair-wise Deletion
PMA	: Performance Management Association
PMAQ	: Performance Management Analysis Questionnaire
PMS	: Performance Management System
RBV	: Resource Based Value
RMSEA	: Root Means Square Error of Application
SAS	: Statistical Analysis Systems

SDBIP : Service Delivery and Budget Implementation Plan

SEM : Structural Equation Model

SMART: Measurement Analysis and Reporting Technique

SRMR : Standardised Root Mean Square Residual

TLI : Tucker-Lewis Index

TQM : Total Quality Management

WSP : Workplace Skills Plan

PREFACE

My appointment as Provincial PMS Manager for the North West Province forced me to study organisational performance management as a subject. After going through articles, books and journals I realised and understood the critical nature of organisational performance management in the provision of services to citizens of this country.

In the summer of 2007, I completed a manual for the Department of Developmental Local Government and Housing entitled "Municipal Organisational Performance Management Implementation Guide". It was based on the analysis of numerous reports on the inability of municipalities to develop and implement the municipal organisational performance management systems over a period of five years.

The "Municipal Organisational Performance Management Implementation Guide" was seen by largely municipal councillors as a propeller that will enable them to inculcate a culture of performance management in their municipalities. Some municipalities began to submit their annual reports in accordance to the requirements of the Municipal Systems Act, 2000 (Act No. 32 of 2000) and Municipal Finance Management Act, 2003 (Act No.56 of 2003).

Municipalities always claimed that they had a functional performance management system but strangely, they were unable to report on their performance as required and those that reported, their reports did not have any substance. This inability to report as required meant that there was something more than the development and implementation of the performance management system that was blocking the effectiveness of the system.

The main objective of this thesis was therefore, to answer the management question - Why are municipalities unable to report on their organisational performance as required by the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)? A preliminary literature review on performance management was conducted in search of relevant studies that could be used as a foundation for the required answer. Secondly, interviews were conducted with municipal performance

management systems practitioners and municipal managers in an attempt to validate and further explain the findings extracted from the literature. The literature search revealed fourteen behavioural factors that block the effective implementation and use of the performance management system.

The research on the role played by behavioural factors in the development and implementation of organisational performance management systems has also been a learning experience requiring discipline and rigor. It is a matter of breaking something into its smallest elements and writing a code around the latter. The work of previous researchers and authors like Lingle and Schiemann, 1996; Gates, 1999; Maisel, 2001; De Waal, 2002; Ho and McKay, 2002; Johnston et al, 2002; and Kaplan and Norton, 2002 who are renowned pioneers in organisational performance management systems, capture the objectives of the thesis.

Activities that were undertaken during the study for this thesis helped it to mature and mellow with time. Reference is made particularly to the colloquium meetings. I have learned a great deal from my presentations to these meetings: what works and what doesn't; what the colloquium committee found useful and what they found extraneous. This feedback has helped me to continuously refine, improve and simplify the research process.

Much work has indeed gone into the empirical research for this thesis, and the beauty is: it contributes to the body of knowledge and can add value in the transformation of local government in South Africa, if and when its recommendations are implemented correctly by municipalities. The benefits to municipalities and industry from reading this thesis are potentially enormous. It will change the approach to strategy implementation by municipalities, forever.

It is hoped that through this thesis, the leadership of local government too will be able to effectively develop and implement winning strategies. What is called for is a clear understanding of integrated development planning and the foundations of effective strategy implementation and performance management.

I also hope that through this thesis I can help to eliminate much of the confusion that exists in the managers' minds regarding how to formulate strategy and monitor and measure performance. Were each member of the management team of a municipality to adopt the framework outlined in this thesis, municipalities would experience less confusion and produce better results.

The thesis was intended to identify the reasons why municipalities were unable to account for their performance as required by legislation. It could be useful for all employees, managers and all other staff members as well as councillors in municipalities of all types and sizes. It is aimed at people managing the municipality as a whole who wish to develop and measure strategy that focuses energy in the right direction and leads to success.

Because the task of analysing, developing, monitoring and measuring strategy can become confusing and complicated, the thesis is intended to make life easier for all stakeholders in local government, be it councillors or municipal employees.



MOTSEOTHATA TAU

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CHAPTER ONE

1. PROBLEM STATEMENT AND SUBSTANTIATION

1.1. Introduction & Background

This chapter provides an orientation of the problem statement (management dilemma) and the research objectives. It gives the background to the South African statutory stipulations and regulatory framework for local government and how municipalities are unable to comply with them. The chapter identifies the management and research questions and links them to the research objectives.

According to Otley (1999:364), performance is about the ability to do the work as well as about the results achieved. It is a multi-dimensional concept, the measurement of which varies, depending on a variety of factors that it comprises (Fitzgerald & Moon, 1996). Other authors, such as Rogers (1994), argue that performance should be defined as the outcomes of work done, because outcomes provide the strongest linkage to the strategic goals of an organisation, customer satisfaction, and economic development. Van der Waldt (1994:36) suggests, therefore, that it is important to determine whether the measurement objective is to assess performance outcomes or only behaviour. He concludes by arguing that a distinction should be made between outcomes (results), behaviour (process) and appropriate performance measurement tools.

Performance management is defined as embracing three interrelated (dependent) variables. These are processes, outputs and outcomes (Mwita 2000:13). It is, therefore, an integrated, systematic approach to improve organisational performance to achieve corporate strategic aims and promote its vision and values (van der Waldt, 2004:38).

According to Cushway (1994:159), performance management is a management process designed to link the organisation's objectives with those of the individual in such a way as to ensure that both individual and corporate objectives are, as far as possible, achieved. Patel (1994:34) and Williams (1999:38) define performance management as an approach to management directed at harnessing the endeavours of individuals so as to channel their performance in support of organisational

strategic goals. Joubert and Noah (2000:17-20) confirmed this line of argument when they defined performance management as a dynamic process that integrates strategic planning, business planning, budgeting, team and individual goal setting and measurement; it is not merely an appraisal of performance of people in terms of a range of factors. This definition is aptly captured by the government's tool called the Service Delivery and Budget Implementation Plan.

Simons (2000:198) defines the performance management system as "the formal, information-based routines and procedures that managers use to maintain or alter patterns in organisational activities". Simons (2000:198) further argues that the recording, analysing, and distribution of the performance information is embedded in the rhythm of the organisation, and it is often based on strategic, business, operational plans and the business cycle. These systems are specifically designed to be used by managers and they concentrate on conveying financial and non-financial information that influences decision-making and managerial action (De Waal, 2004:74).

De Waal (2002:1), on the other hand, defines performance management systems as "the formal, information-based routines and procedures that managers use to maintain or alter patterns in organisational activities". These systems focus attention on performance information that influences decision-making and managerial action. The term "Performance Management and Measurement" refers to any integrated, systematic approach to improving organisational performance to achieve strategic aims and promote an organisation's mission and values. In that sense, organisational performance management is quite different from individual employee performance management which specifically targets the personal performance of an employee, although the latter comprises an essential part of the overall organizational performance framework.

In fact, a performance management system aims at improving the results of people's efforts by linking these to the organisation's goals and objectives. It is, ideally, the means through which the performance of employees can be improved by ensuring

appropriate recognition and reward for their efforts, and by improving communication, learning and working arrangements.

An increasing number of public and private sector organisations are implementing performance management systems in order to achieve better organisational results in a changing and dynamic environment (Azofra, Prieto, & Santidrian, 2003: 367-384). The statement or opinion is also supported by Bititci, Mendibil, Nudurupati, Turner & Garengo, (2004:107-114); Davis & Albright, (2004:135-153); Epstein, Rejc.& Slapnicar, (2004:339-346) and Said, Hassab-Elnaby, and Wier, (2003:193-223). Despite the positive reports that an increasing number of organisations are implementing performance management systems, many organisations, including municipalities, find it difficult to implement this system (Franco & Bourne, 2003:23). According to Simon (2000:127), this difficulty to design and implement a performance management system effectively is the result of the inability to take human behaviour into account in the process. Holloway, Lewis & Mallory (1995) supported this statement by concluding that the successful implementation of a performance management system depends on understanding and accommodating the behavioural factors of individuals within the organisation. Merchant and Van der Stede (2003:273) expanded on this argument by stating that national culture has a direct effect on the design and implementation of an effective performance management system.

Chapter six of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) prescribes that municipalities must establish a performance management system that is commensurate with their resources, best suited to their circumstances, and in line with the priorities, objectives, indicators and targets contained in their integrated development plans. Municipalities are further expected to promote a culture of performance management among its political structures, political office bearers and councillors, and in its administration. Lastly, municipalities should administer their affairs in an economical, effective, efficient and accountable manner.

Municipalities are expected to monitor, review and measure their performance with regard to each development priority and objective and against the key performance

indicators and targets set. The performance management system is, therefore, the best tool to assist in the performance of these functions.

1.2. Problem Statement

According to the Local Government: Municipal Systems Act of 2000 (Act 32 of 2000[46]) as amended, and Local Government: Municipal Finance Management Act of 2003 (Act 56 of 2003[127]), municipalities are enjoined to produce annual reports to account for their performance during a particular financial year. These annual reports are to be consolidated into a single provincial local government report, which will give all stakeholders details of the status of local government in the North West Province.

Annual reports are the results of effective performance management systems. An effective performance management system enables organisations to monitor, measure and evaluate their actual performance against planned strategies and set measures.

The management dilemma facing the Department of Local Government and Traditional Affairs is: a large majority of municipalities in the North West province are unable to submit annual reports to the Department of Local Government and Traditional Affairs for consolidation, and the case of those that do, their reports have no substance. This is in spite of all municipalities having developed organisational performance management systems as required by legislation. This is the result of the inability of municipalities to implement and use a performance management system that can assist them to review, monitor, measure and evaluate their performance and serve as an early warning indicator of underperformance.

The annual report is the end product of a long process of strategic management. It starts with strategic planning, called integrated development planning in municipal terms; aligning the budget to the developmental priorities and objectives or key performance areas; aligning individual performance agreements of employees to the strategies; monitoring and evaluating the individual performance of employees and

thereby entire organisational performance (outcomes based); and producing quarterly and annual reports.

1.3 Research Question

The research question that arises is therefore - *Why are municipalities unable to report on their organisational performance as required by the Local Government: Municipal Systems Act, 2000?* A preliminary literature review on performance management was conducted in search of relevant studies that could be used as a foundation for the required answer. Secondly, interviews were conducted with municipal performance management systems practitioners and municipal managers in an attempt to validate and further explain the findings extracted from the literature.

1.4. Investigative Questions

The literature search revealed fourteen behavioural factors that block the effective implementation of the performance management system. This phase is where organisational performance information is processed before reports are published. This revelation led to the following investigative questions:

1. What is the role of leadership and management in the development and implementation of an effective organisational performance management system?
2. To what extent does communication influence the behaviour of stakeholders towards the use of an organisational performance management system?
3. What effect does organisational culture have on the implementation and use of the municipal organisational performance management system?
4. What is the relationship between the knowledge of senior municipal managers and the implementation and use of a municipal organisational performance management system?
5. How does an aligned and balanced strategic framework affect the morale of employees in the use of the municipal organisational performance management system?
6. What is the correlation between the identified behavioural factors and organisational performance?

The answers to these research questions will solve the mystery surrounding the inability of municipalities to comply with the first objective of local government that prescribes that they must “provide an accountable government for local communities” (The Constitution Act 108[152] of 1996).

1.5. Gap in Current Knowledge

Many authors have focussed attention on how organisations can design more appropriate performance management systems. Based on literature, and action research, numerous processes have been developed that organisations can follow in order to design and implement a performance management system (Bourne, Neely, Mills & Platts, 1999). Many frameworks, such as the balanced scorecard (Kaplan & Norton, 1992), the performance prism (Kennerley & Neely, 2000), the performance measurement matrix (Keegan, Eiler & Jones, 1989), the results and determinants framework (Fitzgerald, Johnston, Brignall, Silvestro & Voss, 1991), and the SMART pyramid (Lynch & Cross, 1991) have been proposed to support these processes. The objective of such frameworks is to help organisations define a set of measures that reflects their objectives and assesses their performance appropriately. The frameworks are multidimensional, explicitly balancing financial and non-financial measures.

The performance measurement revolution has prompted many organisations to implement new performance management systems, often at considerable cost. However, unlike the environment in which organisations operate, many performance management initiatives appear to be static. According to Senge (1992), in today's complex business world, organisations must be able to learn how to cope with continuous change in order to be successful. Eccles (1991:131-7) concurs and, therefore, suggests that it will become increasingly necessary for all major organisations to evaluate and modify their performance measures in order to adapt to the rapidly changing and highly competitive environment. Numerous authors, such as Meyer & Gupta, (1994); Ghalayini & Noble, (1996); Dixon, Nanni, & Vollmann, (1990); and Wisner and Fawcett, (1991), support this argument by espousing the need for reflection on measures to ensure that they are updated to reflect this continuous change. However, there has been little evidence of the extent or

effectiveness with which this takes place. Moreover, the literature suggests that ineffective management of the evolution of performance management systems is causing a new measurement “crisis”, with organisations implementing new measures to reflect new priorities but failing to discard measures reflecting old priorities, resulting in uncorrelated and inconsistent measures (Meyer & Gupta, 1994). Furthermore, it is suggested that organisations are drowning in the additional data that is now being collected and reported (Neely, Kennerley & Adams, 2000).

Although many organisations have undertaken projects to design and implement better performance measures, little consideration appears to have been given to the way in which measures evolve following their implementation (Waggoner, Neely, & Kennerley, 1998:53-60). It is important that performance management systems be dynamic, so that performance measures remain relevant and continue to reflect the issues of importance to the business (Lynch & Cross, 1991).

In order to ensure that this relevance is maintained, organisations need a process in place to ensure that measures and performance management systems are reviewed and modified as the organisation’s circumstances change (Dixon *et al.*, 1990). In spite of this, few organisations, including municipalities, appear to have systematic processes in place for managing their performance management systems, and few researchers appear to have explored two basic questions, namely: What shapes the evolution of an organisation’s performance management system? What is the role of behavioural factors and organisational culture in this evolution? No studies could be found on these issues on the South African local government context.

The research envisaged by this proposal seeks to address this gap by presenting a framework that best describes the behavioural factors that shape the evolution of performance management systems used by municipalities in the North West Province.

1.6. Research Aims and Objectives

The following section seeks to focus the study on certain desired results by determining the objectives (both primal and secondary). These objectives will assist in clarifying the path that has to be followed to find the expected solution to the management dilemma identified.

1.6.1. Purpose of Research

To implement strategies developed during the planning sessions will always be difficult because individual barriers, created by managers and employees, result in what Beer and Eisenstat (2000:1-14) call “the silent killers of strategy implementation and learning”. Kaplan and Norton (1996) and Kotter (1996) also identified some of these barriers in their research work.

According to Beer and Eisenstat (2000:29-40) there are six of these killers, namely:

1. a top-down and or laissez-faire management style;
2. unclear strategy and conflicting priorities;
3. poor horizontal and vertical communication;
4. poor coordination across functions;
5. inadequate down-the-line leadership skills and development, and
6. an ineffective management team.

These silent killers combine into a vicious circle that blocks strategy implementation. Beer and Eisenstat (2000: 29-40) grouped these barriers into three categories, namely quality of direction; quality of learning; and quality of implementation.

These strategy implementation barriers will be discussed in detail during the process of the research, and they will be linked to the challenges faced by municipalities in the North West Province.

There seems to be a gap between municipal managers' knowing what is expected of them and actually doing it. The objective of the study is, therefore, to determine what this gap is and to propose steps to be taken to close it. It will help the researcher to gain further understanding of how the “knowing-doing” gap of managers works in practice (Pfeffer & Sutton, 1999).

1.6.2 Primary Objective

The main objective of the study is, therefore, *to evaluate the role played by behavioural factors in the development and implementation of municipal organisational performance management systems*. The report of the evaluation will assist in ensuring that all municipal role-players understand and appreciate the value of transparent reporting in line with the municipality's strategic direction, goals, objectives, and key performance areas.

1.6.3 Secondary Objectives

Municipalities find themselves continually trying to do more with less and fewer resources because of the annual budget reductions owing to diminishing grant funding by the National Treasury. Watching the senior management team of municipalities in action on a daily basis, reminds one of Covey's (1989:39) quotation: "people and their managers are working so hard to be sure things are done right, that they hardly have time to decide if they are doing the right things."

According to Rohm (2004:1) doing the right things and doing things right is a balancing act, and it requires the development of good business strategies and efficient operations to deliver the products and services required to implement the strategies.

The South African government reform initiatives at all levels of government, as outlined by the Public Finance Management Act, 1999 (Act 1 of 1999) and both the Local Government: Municipal Systems Act (Act 32 of 2000) and Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), are continuously placing more emphasis on accountability and results so as to meet community expectations for quality public services and products.

The desired outcome for a private organisation is a growing, profitable, competitive enterprise, whereas for a public organisation, the desired outcomes centre on the delivery of necessary, cost-effective services of high quality for the benefit of all citizens. This is the basis of the "Peoples' Contract" between the African National Congress (ANC), as the ruling party, and the people of South Africa.

The "People's Contract" brought about performance improvement and reform pressures in all spheres of government, which gave municipalities the mandate to

worry about executing good strategy well continuously, while at the same time worrying about running business operations efficiently.

Municipalities, therefore, need to be both strategically and operationally excellent to survive and meet the challenges created by the new government reform initiatives. One framework that could help to achieve the required balance between strategy and operations is a well-developed and effective performance management system.

Pursuant to these arguments, the following general objectives are developed to focus the study on the challenges faced by municipalities in the implementation of a performance management system to ensure that good strategies are not only formulated but are actually implemented:

1. To identify the role of leadership and management in the development and implementation of an effective organisational performance management system;
2. To determine the influence of communication on the behaviour of stakeholders towards the use of an organisational performance management system;
3. To evaluate the effect of organisational culture on the implementation and use of the municipal organisational performance management system;
4. To identify and analyse the relationship between the knowledge (explicit and tacit) of senior municipal managers and the implementation and use of a municipal organisational performance management system;
5. To evaluate the influence of the identified behavioural factors on organisational performance management; and
6. To determine how an aligned and balanced strategic framework affects the morale of employees in the use of the municipal organisational performance management system.

In terms of the objectives to be met, there is sufficient historical and secondary data available in the field of management that will be used for validation purposes. The theoretical foundation of the research question will be established as part of the literature review. In answering the research question, it is intended to examine the South African local government's understanding of the role played by behavioural

factors and organisational culture in the implementation of an effective performance management system.

1.7. Significance of this Study

In line with six research questions posed in 1.2 above, the researcher will also seek to identify the barriers that block strategy implementation in municipalities and what could be done to remove these to ensure that the implementation of their performance management is successful. The investigation will determine the possibility of creating a strong performance culture within these municipalities. The following factors will indicate whether municipalities are ready for the implementation of an effective and reliable system of performance management that complies with the requirements of the legislation:

1. the role of the leadership of these municipalities, as champions, in supporting or driving the performance management system beyond the compliance issues;
2. the understanding of all staff members of the rationale behind the performance management system;
3. the procurement and building of capacity to design and effectively implement the system;
4. cultural and structural support for effective implementation of the performance management system;
5. the alignment, reliability and effectiveness of the strategic objectives of municipalities with the performance measurement system;
6. the allocation of resources within municipalities;
7. the information management system of the municipality as an enabler or driver of an effective performance management system; and
8. change leadership to effect continuous improvement and ongoing transformation.

The structures of many municipalities are such that separate business units that are supposed to be interdependent in their operations are competing for resources. But although the culture within these municipalities has always been that various functions operated in isolation and independent from each other, they are now

required to cooperate more than before. The challenge would be how to create a climate conducive to cooperation amongst the business units that is underpinned by effective coordination of functions. Whether they choose to formalise their cooperation or not, the measurement of the effectiveness of the services they receive from those units that support them would have to be done.

The study will seek to find solutions to these challenges and it will ultimately recommend alternative solutions to a successful implementation of the proposed performance management system.

The practical value of the study is that all municipal role-players will understand and appreciate the role played by behavioural factors in the development and implementation of effective municipal organisational performance management systems and the rationale behind transparent reporting that is aligned to organisational strategic goals, objectives and key performance areas. This will improve the level of performance by municipalities in the North West Province. It can happen only once practitioners are able to change the way they manage performance information, which will in turn increase the interest in the performance outcomes by councillors and municipal officials.

1.8. Possible Contribution to the Body of Knowledge

According to the Public Service Commission (2002:2), economic, effective and efficient use of resources must be promoted. The question that should be answered is: How can one ensure economic, effective and efficient use of resources if one does not have a yardstick? (Van der Waldt, 2004:174/5).

The problem may not be the yardstick, but a lack of experience on how to implement a performance management system in the public service. Many researchers like Kaplan and Norton (1996), Neely, Kennerley and Adams, (2000), Van der Waldt, (2004) and others, have studied various issues regarding the implementation of performance management and an enormous contribution to the body of knowledge has been made. But little research has been done on the role of behavioural factors and culture in the successful implementation of performance management systems in local government in South Africa.

This research aims to contribute to the performance management literature and its latest focus on how organisations – especially municipalities - manage their current organisational performance. In particular, the study will highlight the role played by behavioural factors in the development and implementation of municipal organisational performance management systems and the main characteristics that differentiate between organisations that are able to manage through performance measures, that is, to ensure that action follows measurement and others that are not. The study will show the correlation between organisational culture and individual behavioural factors of employees and the role these play in the effective implementation and use of municipal organisational performance management systems.

It is argued that, by clearly understanding the role played by organisational culture and behavioural factors in creating effective performance management systems in the municipalities, development in the field of effective performance management can be enhanced.

1.9. Literature Review

In order to give an answer to the question- “what is the role of these behavioural factors in the implementation and use of an organisational performance management system?” - relevant performance management literature will be reviewed in search of relevant studies that could inform the research. Secondly, a set of interviews will be conducted with municipal performance management systems practitioners, senior managers, municipal managers and executive committee members in an attempt to validate and further explain the findings extracted from the literature.

Primary and secondary literature will be used to determine relevant material for this study. Articles, books, and government reports and relevant legislation will be consulted. Literature studies on organisational performance management will be conducted. The preliminary analysis of the literature collected through various web-sites has indicated that there is sufficient material on this topic to conduct research. The databases consulted to verify the availability of the study material for the purpose of this research are the following:

1. Catalogue of theses and dissertations of South African Universities;

2. Catalogue of books at Ferdinand Postma Library;
3. NRF: Nexus;
4. Index to South African Periodicals (ISAP);
5. EBSCO Academic Search Elite; and
6. Internet.

The expected outcome of the research is to confirm or rebut the findings of previous researchers.

1.10 Expected Outcomes of the Research

Despite the substantial resources invested by the government in municipalities, the study will show that performance management related initiatives, such as the implementation of scorecards or the adoption of Total Quality Management procedures, often fail to bring the intended benefits.

In academia, authors and researchers from areas as diverse as strategy management, human resource management, management accounting and control, operations management, public administration, organisational behaviour, information systems and marketing have paid considerable attention to strategic performance measurement (Austin, Kennerley, Manzoni, Micheli & Spencer, 2007:3). The studies show that:

1. performance targets and indicators are rarely integrated with strategy;
2. performance information is poorly integrated into decision making;
3. strategic performance measurement is too often used for control and not learning purposes;
4. senior management and leadership frequently, and on an ad hoc basis, intervene in processes taking place at lower management levels;
5. there is limited horizontal and vertical communication regarding performance results; and
6. managers and employees are not motivated to use performance management because they do not experience its positive consequences.

1.11. Limitations of the Study

The study of municipalities in the North West Province is subject to a number of limitations. Firstly, the research population is not necessarily representative of all

municipalities in the province or South Africa, as the study will be carried out only in selected municipalities. Secondly, the respondents to the questionnaire may rate their own municipalities more favourably than an outsider would. Thirdly, there may well be other dimensions that influence performance-driven behaviour, which have not been included in the design of the Performance Management Analysis Questionnaire.

1.12. Chapter Division

Chapter One: Orientation

This chapter outlined the research proposal in detail. It elaborates on the substantiation, actuality, the argument, the problem, research questions and objectives of the study.

Chapter Two: Theoretical Foundation

This chapter deals with the historical background of organisational performance management and how it has developed over time. The importance of behavioural factors for the design, implementation, and use of performance management systems is established. The main objective is to build the theoretical foundation of the envisaged study by tracing the origin of performance management and measurement to its present position.

Chapter Three: Literature Review

Chapter three covers a review of the literature on the behavioural factors identified during the description of the theoretical foundation of organisational performance management systems, implementation and use. It will elaborate further on these variables to determine their influence on organisational performance.

The identified behavioural factors will be aligned with the research questions posed in chapter one, and, ultimately, hypotheses will be formulated, from which the study will be conducted to confirm or disprove them.

Chapter Four: Research Design and Methodology

Chapter four provides the research methodology that will be used in the processes of sampling, collection, analysis and presentation of data. In this chapter the actual situation regarding the development and implementation of municipal organisational performance management systems in the North West Province will be evaluated.

Secondary data from the archives of the Department of Developmental Local Government and Housing will also be studied.

Chapter Five: Results Presentation

The summated captured survey results of the study will be presented in this chapter. The evaluation and interpretation of the empirical research findings will be superimposed over a theoretical model constructed from the normative theory derived from chapter three. The degree of fit between the theoretical model and the actual empirical data will serve as the platform to provide answers to the posed research questions, and identify barriers as to why municipalities appear to be unable to report the performance results effectively.

Chapter Six: Conclusions and Recommendations.

This chapter deals with the generation and selection of the best options municipalities could take to implement and use their organisational performance management systems. It proposes a comprehensive step-by-step improvement plan to deal with the identified behavioural factors during the implementation and use of the municipal organisational performance management system in the North West Province.

1.13 Summary and Conclusion

Chapter one outlined the problem faced by the Department of Local Government in its quest to implement its constitutional mandate of monitoring the performance of municipalities. A gap in the current knowledge was identified. It was further revealed that there is enough material in the body of knowledge that can be used to support the study. Research and investigative questions, plus primary and secondary objectives were formulated to focus the envisaged study.

The significance of the study will be revealed by the final contribution to the body of knowledge and the strategic and performance management industry. This contribution will ultimately explain how companies can ensure economic and effective resource utilisation.

The following chapter will give the theoretical foundation of the envisaged study on organisational performance management and how it developed over time. The

chapter will further establish the importance of behavioural factors in the design and implementation of organisational performance management systems. The main purpose of this historical background is to trace the origin of performance management and measurement to its current position.

CHAPTER TWO

2. THEORETICAL FOUNDATION

2.1. Introduction

This chapter deals with the historical background of organisational performance management and how it has developed over time, and the importance of behavioural factors for the design, implementation, and use of performance management systems is established. The main objective is to build the theoretical foundation of the envisaged study by tracing the origin of performance management and measurement to its present position.

2.2. The Purpose of Performance Management Systems

The senior management of any organisation needs to develop a clear and explicit vision and mission if it intends to be successful in the long term. These two features form the basis for long-term development of the organisational strategy and strategic objectives. An unambiguous and well-organised planning must support this strategic direction and management cycle, such as the South African Government Planning Cycle developed for all three spheres of government. This cycle provides performance results through an integrated management information system. Having an effective planning and information management system is critical for business success for both private and public sector organisations (De Waal, 2002:3).

An integrated management information system (IMIS) assists managers to influence the behaviour of employees in such a way that the mission and strategy are implemented, while ensuring an effective and efficient resource allocation (Anthony, Dearden & Bedford, 1989). According to De Waal (2002), a modern management system is made up of two components, namely:

1. The management structure, which states what the system is about; and
2. The management process, which is what the system does (see Figure 2.1).

The management structure (input) is defined as a combination of organisational structure, performance planning, organisational activities, performance measurement and evaluation, and a data processing and management information support system.

The management process is defined as steps and decisions taken when setting targets, allocating resources, evaluating performance, executing remedial actions, and reaching the set targets. Finally, the manner in which the management system is used by the organisation is called the organisation's management style.

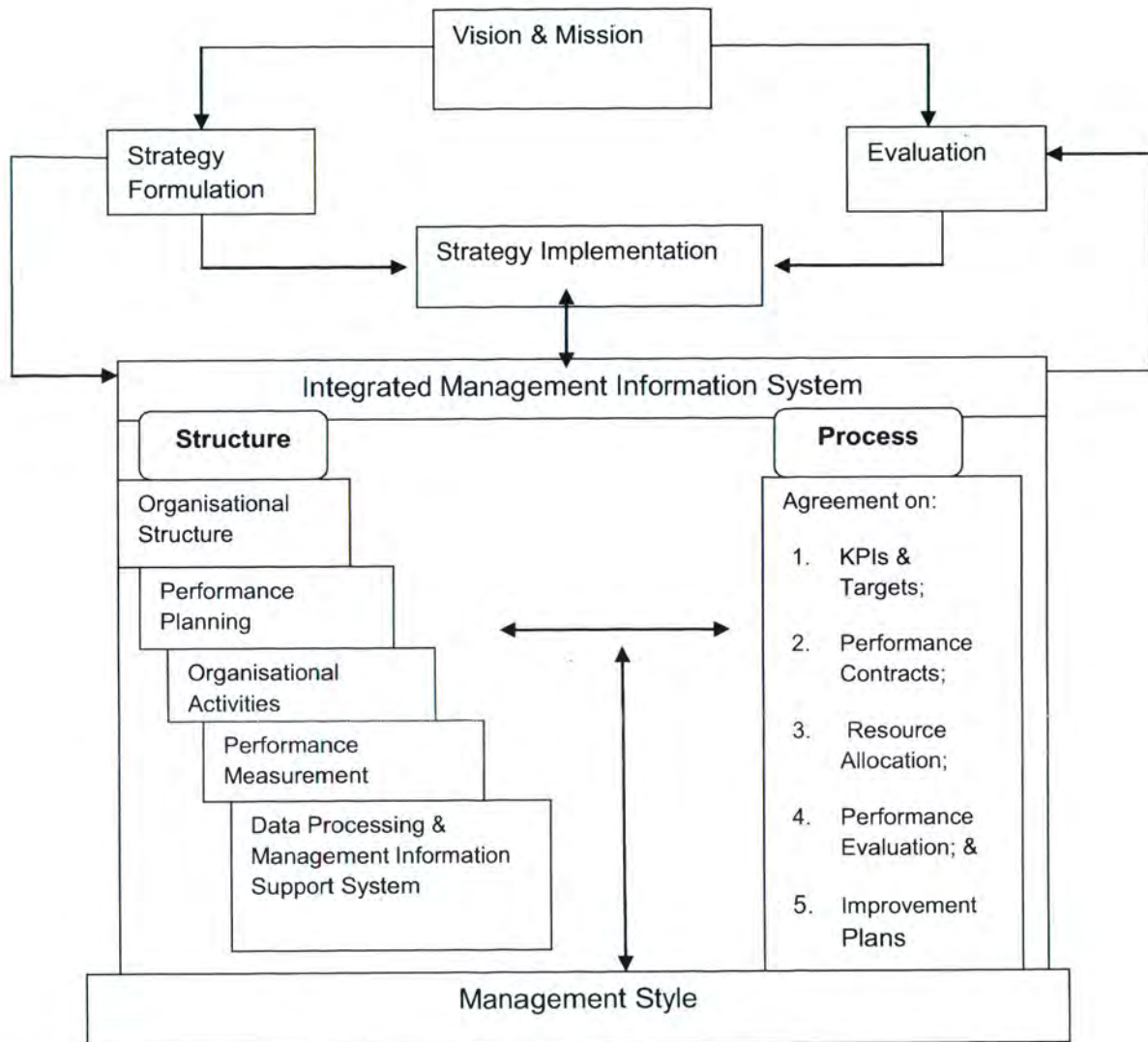


Figure 2.1: Relationship between Vision, Mission and Strategy and Management Structure and Process. (Source: Adapted from Petri & van der Vossen, 1994).

Management structure, processes and style must be developed to support and advance the achievement of organisational targets set during the strategic planning session. For this purpose, the management information system needs to produce adequate performance information.

Vandenbosch (1999) identified four distinguishable categories of performance management information use. These are:

1. Scorecard keeping, usually a standardised reporting process, which is characterised by consistency between time periods to make comparisons easier;
2. Improving, understanding, and consequently problem solving;
3. Focussing organisational attention and learning; and
4. Legitimising decisions.

According to De Waal (2002), performance information is meant to support management decision-making processes to enhance the leadership direction of the organisation. He further argues that the effectiveness of performance information, which is the result of performance measurement, is related to its contribution to the overall performance of the organisation.

Neely, (1998) defines performance measurement as “the process of quantifying the efficiency and effectiveness of past action, in which measurement is the process of quantification and past action determines current performance”. The action also affects future performance in that performance improvement plans influence the course of action to be taken. Organisations achieve their goal by satisfying their customers with greater efficiency and effectiveness than their competitors. Effectiveness refers to the extent to which customer needs are satisfied, and efficiency is a measure of how economically the organisation’s resources are utilised when providing a given level of customer satisfaction. A performance measure can, therefore, be defined as a metric unit used to quantify the effectiveness and or efficiency of past action (Neely, 1998).

According to Cushway (1994) performance management is a management process designed to link the organisation’s objectives with those of the individual in such a way as to ensure that both individual and corporate objectives are, as far as possible, achieved. Williams (1999), in turn, defines performance management as “a set of activities directed at the individuals so as to channel their performance in support of organisational performance”. The purpose of this direction is to change

the behaviour of individuals in the organisation to enable them to work towards the same goal. Joubert and Noah (2000) consolidated both these definitions when they defined performance management as a dynamic process that integrates strategic planning, business planning, budgeting, team and individual goal setting and measurement; it is not merely an appraisal of performance of people in terms of a range of factors. This definition is aptly captured by the government's tool called service delivery and budget implementation plan. The last definition (Joubert & Noah, 2000) will be applied in this study.

A performance management system is defined as "the formal, information-based routines and procedures that managers use to maintain or alter patterns in organisational activities" (Simons, 2000), which is an extension of the definitions provided by Neely (1998) and Williams (1999). These systems concentrate on conveying financial and non-financial information that influences decision-making and managerial action (De Waal, 2006). According to Simons (2000), the recording, analysing, and distribution of this performance information is embedded in the rhythm of the organisation, and it is often based on strategic, business, and operational plans and the business cycle. These systems are specifically designed to be used by managers.

Armstrong and Baron (1998), and later Martins (2000), identified fifteen aims and objectives of a performance management system as listed hereunder:

1. Helping to achieve sustainable improvements in organisational performance;
2. Acting as a lever for change in developing a more performance oriented culture;
3. Increasing the motivation and commitment of employees;
4. Enabling individual employees to develop their abilities, increase their job satisfaction, and achieve their full job potential;
5. Enhancing the development of team cohesion and performance;
6. Developing constructive and open relationships between individual employees and their managers in a process of continuous and constant communication about performance;

7. Providing opportunities for individual employees to express their aspirations, concerns, expectations and fears about their work;
8. Creating continuous improvement;
9. Supporting planning of organisational activities;
10. Reinforcing management rhetoric;
11. Introducing pay for performance (Reward and Compensation);
12. Influencing employees' attitudes;
13. Performing benchmarks;
14. Introducing individual and organisational learning; and
15. Focussing and justifying investments.

It can be concluded, after analysing these aims and objectives that the use of a performance management system, fits into the planning and control cycle of management. The planning stage of the cycle starts after the strategic objectives of the organisation have been formulated and the concomitant management strategic plans information needs identified. The purpose of this stage is to translate strategic plans into operational plans for each business unit. De Waal (2002) argues that managers use performance management systems in the planning stage if:

1. They use the performance analysis and review of the preceding period as baseline information for setting targets for the next period;
2. They prioritise targets because these can be confusing and sometimes conflicting;
3. They design a plan of action for achieving these targets;
4. They allocate resources on the basis of planned actions and targets; and
5. They communicate with all stakeholders during the operational planning process.

Based on De Waal's (2002) argument, the primary responsibility of a manager is, therefore, to communicate the strategy, targets and plans of action to all employees in clear and unambiguous terms and to ensure that these plans are effectively and efficiently implemented. The Armstrong and Baron (1998) and Martins' (2000) Reports, therefore, suggest that managers use the performance management system to communicate the strategic plans and the results to be measured and achieved.

reported, as well as to motivate employees by regularly providing intermediate feedback on organisational performance results.

The purpose of the measurement stage is to collect performance information to enable managers to decide whether remedial action is required or not. According to De Waal (2002), there are three basic steps on how to collect and analyse information. These are:

1. The determination of information needs;
2. Information collection; and
3. Information use.

Each of these steps can be considered in terms of cognitive, emotional and situational factors (Choo, 2000). Information needs arise when people experience cognitive gaps that hinder their progress and induce uncertainty. They seek good, accessible information sources to bridge these gaps. Management ensures that performance information is not only collected but actually recorded in the performance management system for monitoring and evaluation purposes. The performance results are analysed and discussed with employees to make a case for continuous improvement.

The continuous improvement process leads to the formulation and implementation of corrective and preventative plans. These plans should be discussed during monthly management meetings. The functionality of the performance management system, the reliability of the measures and validity of the formulated strategy should also be discussed during the quarterly review meetings. This is over and above the review of organisational performance results. These meetings should be used to analyse the causal relationships between the various variables and to find answers to lagging results to be able to formulate corrective and preventative actions on the basis of the analysis.

2.3. Development of Performance Management Systems

2.3.1. Introduction

General Electric implemented a balanced set of performance measures with the intention of studying their causal relationships (De Waal, 2002). This was as a result of research that showed that many organisations were facing a challenge of inadequate management information relevant for performance review and decision-making (Daniel, 1961). The researchers argued that organisations needed a combination of environmental, competitive, and internal information provided by financial and nonfinancial data.

Rochart (1979) suggested that organisations that really wanted to have a competitive advantage should use critical success factors to manage their performance. These factors would constantly receive careful management attention and ought to be measured with key performance indicators.

De Waal, (2002) defines a critical success factor as a “qualitative description of an element of the strategy in which an organisation has to excel in order to be successful”. He further argues that the critical success factor is made quantifiable with a key performance indicator. The conclusion that can be drawn from the argument is that the use of critical success factors and key performance indicators enables measurement and, therefore, the management of strategic objectives.

The concept of critical success factors was seen as a breakthrough for strategy implementation until Eccles (1991) predicted a revolution in performance management. Until a decade ago, most private sector organizations tended to focus on performance measures that gave an indication of the financial health of such organizations. This approach had severe limitations as financial performance often depended on other critical aspects such as the quality of the products offered to customers and the knowledge and skills base of the employees of an organization. To overcome this, Kaplan and Norton (1992) developed the Balanced Scorecard as a means to measure performance by making use of financial and non-financial measures. Since then the concept of the Balanced Scorecard has become well known, and its various forms are widely used across the world as a performance

model. The Balanced Scorecard was, therefore, the revolution that Eccles (1991) predicted. (See section 2.3.3.2 for a detailed discussion on the Balanced Scorecard.)

By combining financial measures and non-financial measures in a single report, the Balanced Scorecard aims to provide managers with richer and more relevant information about the activities that they are managing than is provided by financial measures alone. To aid clarity and utility, Kaplan and Norton (1996) proposed that the number of measures (or indicators) on a Balanced Scorecard should be constrained (or limited) and clustered together in four groups or perspectives, namely, a financial perspective, customer perspective, internal business processes, and learning and growth perspective.

The traditional Balanced Scorecard as set out in figure 2.2 works on the cause-and-effect assumption that improving the ability of the organization to learn and grow, and improving internal business processes, will ensure that the customer receives a better end-product, thereby increasing the value and profitability of the organisation.

In different organisations, the perspectives and the leading indicators can be different, but the idea of the Balanced Scorecard is to provide a balanced set of measurements that allow an organisation to measure the cause and effect chain by which customer and shareholder value is created (Kaplan & Norton, 1996).

Public organisations, like municipalities, are not, however, focussed primarily on profitability but rather on the expectations and well-being of the communities they serve, as well as those of their stakeholders. Many public organisations, therefore, make use of the adapted version of the Balanced Scorecard in which a fifth perspective is added that looks at public and stakeholder issues and under which indicators are grouped together that measure the achievement of the organisation's mission and vision. The version of the adapted Balanced Scorecard for public sector organisations is depicted in figure 2.4.

The structure of a traditional Balanced Scorecard is depicted schematically below:

Balanced Scorecard

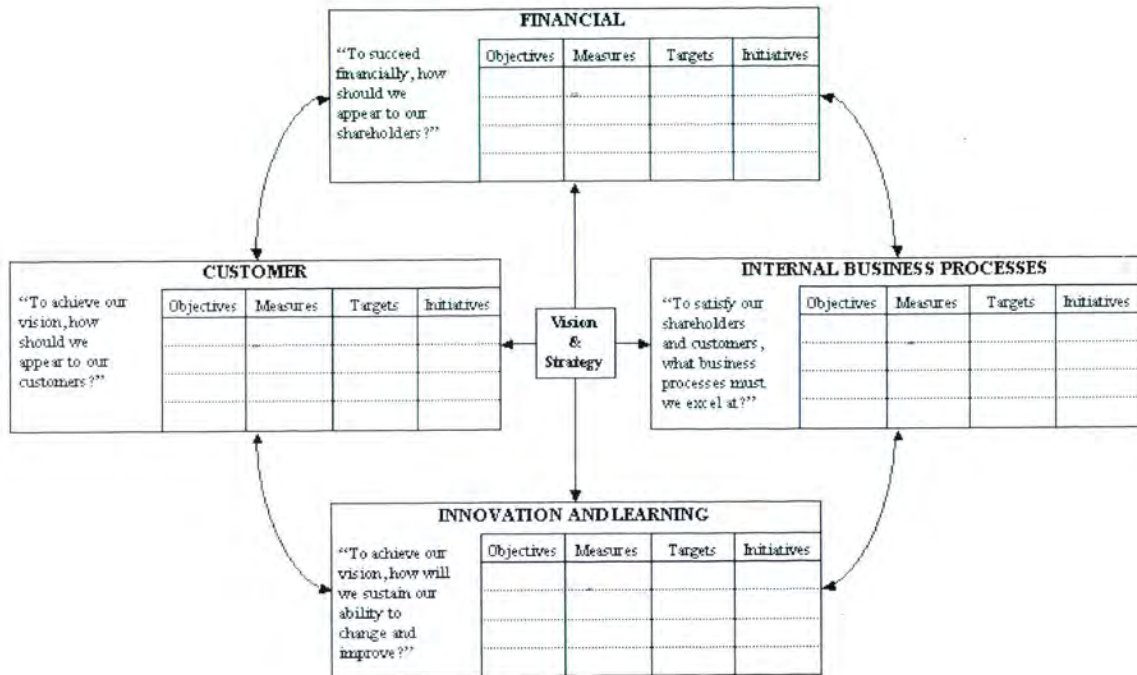


Figure 2.2: The Traditional Balanced Scorecard Perspectives. (Source: Kaplan & Norton, HBR, January – February 1996: 76).

The main benefit of managing with a combination of financial and non-financial information is that the leading, non-financial indicators facilitate proactive control and the ability to take preventative action (De Waal, 2002). A balanced set of key financial and non-financial critical success factors and key performance indicators enables management to concentrate on critical issues that drive organisational performance and, therefore, to monitor the achievement of strategic goals more closely.

The Balanced Scorecard cause and effect hypothesis is depicted schematically as in figure 2.3 follows:

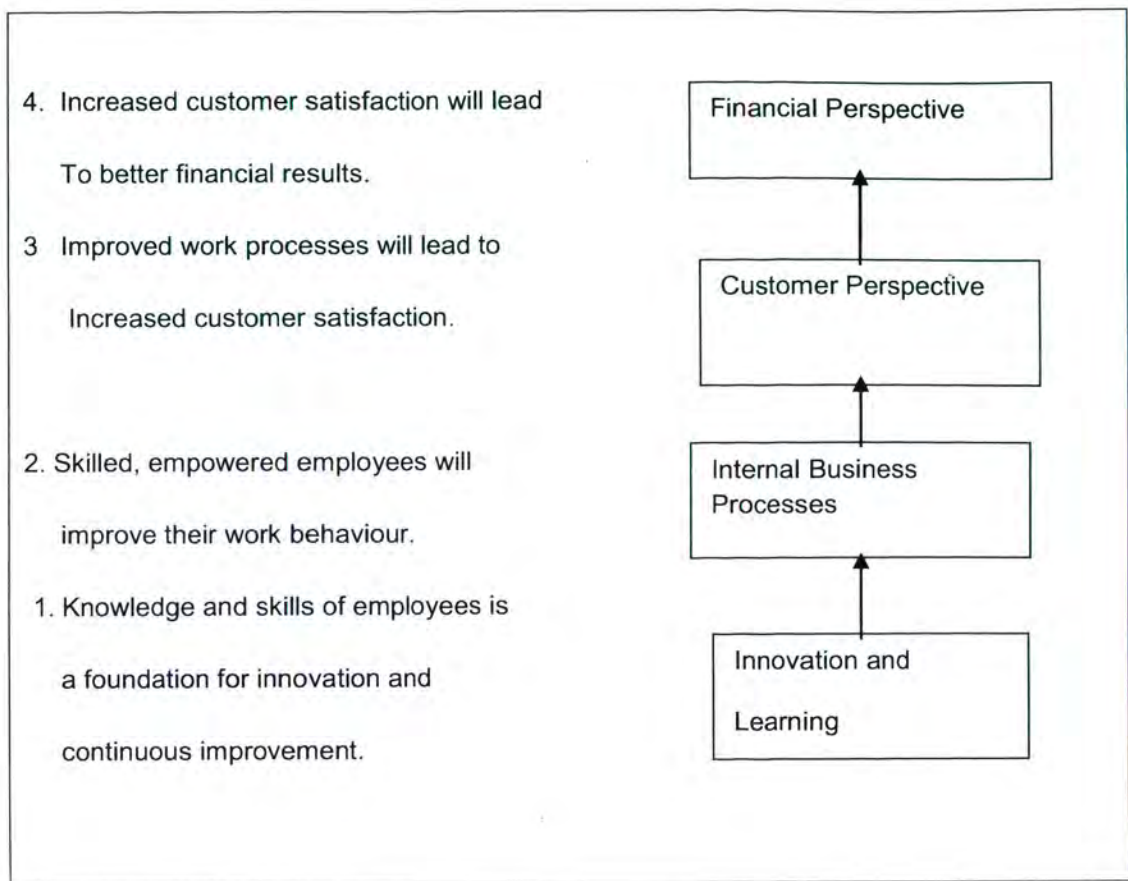


Figure 2.3: Balanced Scorecard Cause – Effect Hypothesis (Source: Own Creation).

Many management writers, and the business community at large, are convinced that the Balanced Scorecard has resolved their growing frustration with traditional measurement systems that focussed mainly on financial efficiency, coupled with an increasing need to cope with an ever complex and dynamic environment.

The Balanced Scorecard concept also has a number of weaknesses as highlighted in section 2.3.3.3. These can be summarised briefly as follows:

1. Its emphasis on the customer perspective, implicitly ignoring the broader market perspective, which concentrates on how the organisation looks at the customer in comparison with competitors;
2. The failure to mention other stakeholders like suppliers;

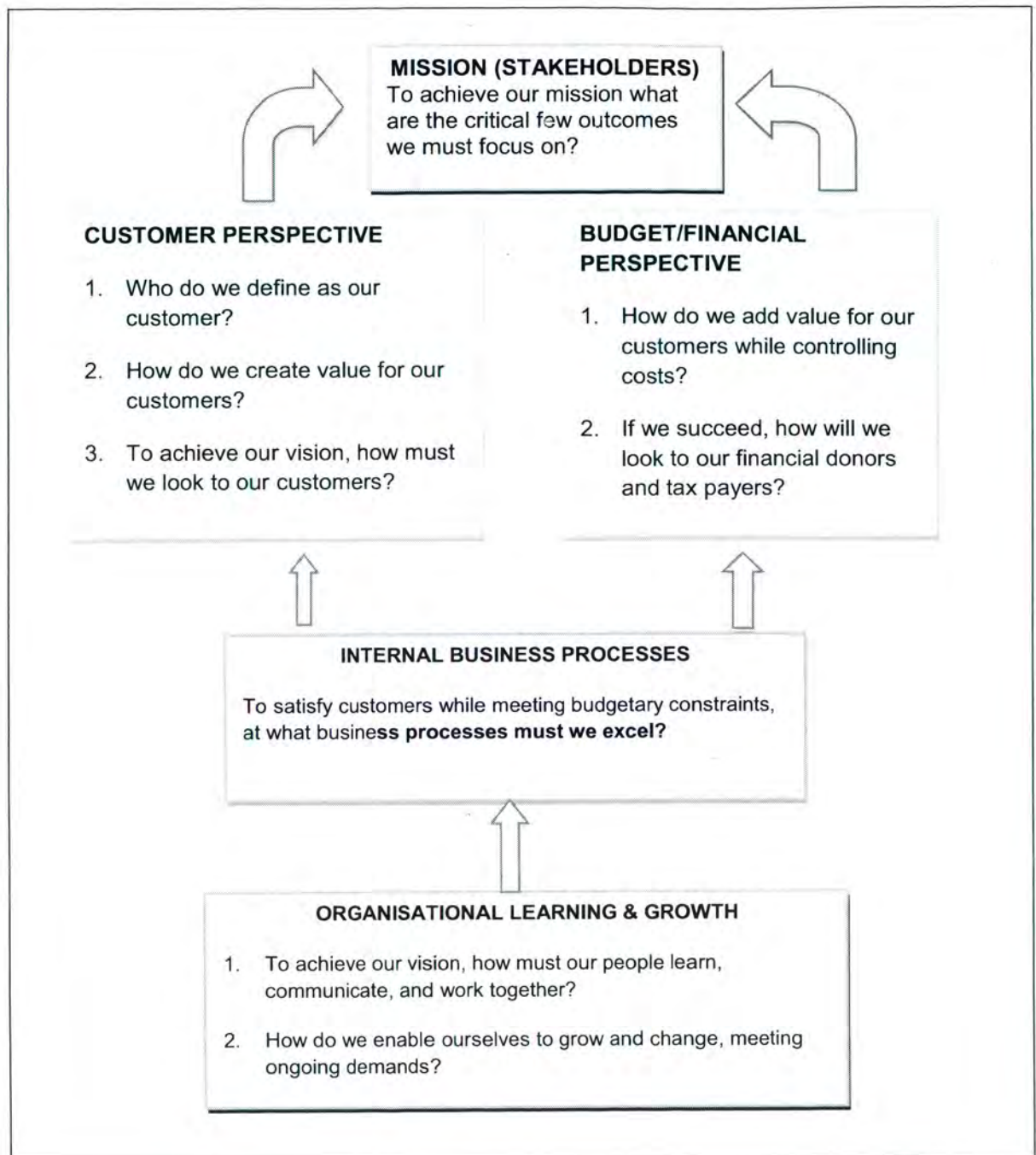


Figure: 2.4: The Balanced Scorecard Adapted for Public Sector Organisations (Source: Balanced Scorecard Collaborative, Inc. 2004).

3. The assumption that the four perspectives are the only important perspectives that are to be managed;
4. The difficulty in defining qualitative measures and in cascading these measures to lower levels of the organisation; and

5. The disregard for the human element, that is, the effect the Balanced Scorecard can have on managerial attitudes or the question of whether the Balanced Scorecard is suitable for all staff members and departments.

Recent developments in information technology have assisted the revolution in performance management systems. Effective performance management systems require a considerable amount of data collection, analysis and reporting. The result of this data and information management has been the development of executive information systems and database technology that has enabled organisations to generate and disseminate information more quickly and cheaply to a wider audience than was previously the case.

Contrary to popular perceptions, the concept of performance management is not new, not an Anglo-Saxon invention nor did it come from the private sector only. According to Van Dooren (2006:227), fourteen (14) movements have promoted performance management and measurement in government since the 19th century. Performance management and measurement has been transformed over time and has become more systematic, specialised, professional and institutionalised.

Today, it is widely accepted that evidence about the impact and the results of many reforms is still insubstantial (Demmke, 2006). Many methodological challenges are still experienced in measuring public performance. Also, many national and comparative studies on performance management and measurement are more "preoccupied with describing the new measures, comparing measures from various countries and assessing their impact on accountability" (Forbes & Lynn, 2004:2). However, little effort has been devoted to rigorous empirical verification of claimed results or the identification of causal relationships underlying them.

Of course, another reason for the difficulties in measuring performance may be found in the distinct tasks of public sector organisations. About 23 years ago Drucker, (1987:427) stated that "public institutions always have multiple objectives and often conflicting, if not incompatible, objectives". Such goals make it difficult for public organisations to develop performance standards to serve as basis for effective incentive systems (Baldwin, 1984:80-89). Other challenges in measuring the impact

of reforms on performance can be found in the fragmentation of the public service such as, the difficulties in obtaining reliable data and information about performance across units, departments, sectors and countries (Demmke, 2006).

The purpose of this chapter is, therefore, to discuss the concept of performance management. Questions like, how much it has changed over the course of time? And what is known and where can progress be observed? will be discussed.

2.3.2. The Concept of Performance Management

Only a few decades ago, citizens were not allowed to question government authorities at all. Since the notion of social services did not exist for a long time; until the 1950s only a few countries had anti-poverty programmes, or initiatives in the field of food safety, social security or environmental protection; most existing public services were tax services, military and police forces. Consequently, the most important task of the state was to control society, rather than to serve society and its citizens. A case in point is the former South African apartheid regime where the majority of citizens were controlled by the police and the military force. The state stood above society, and the government was more concerned with the implementation of programmes than with the evaluation of their outcomes. However, this also meant that publications documenting “government greatest achievements” were also rare (Light, 2002).

The first performance management concepts emerged only in the late 19th century and date back to Wilson’s (1887) business approach to government or to the Scientific Management movement that promoted the detailed analysis of workers’ tasks with the objective of maximising efficiency by processes according to a mathematical and logical formula (Taylor, 1911). In Germany, Webber (1922) published *“Wirtschaft und Gessellschaft”* and tried to demonstrate that the “bureaucratic organisation” was superior and more efficient than any other organisational and management structure. Consequently, most European public and private organisations designed their structures according to the bureaucratic model until, in the 1970s, when more scholars, especially in the United States of America, started to concentrate their research efforts on monitoring policy effectiveness. Many

of these so-called implementation studies showed that performance fell short of policy expectations, and concern shifted from the “what?” of policy outcomes to the “why?” of policy failure (Demmke, 2006). At the time, the implementation theory as a concept became famous when Pressman and Wildavsky (1984) released their classic implementation study: *“How Great Expectations in Washington are Dashed in Oakland; or Why it’s Amazing that Federal Programs Work at All”*. Parallel to the emergence of implementation as a theory, the Management-by-Objectives (MBO) approach departed from scientific management theories. Drucker (1987), in *‘What Results Should You Expect? A User’s Guide to MBO’*, defined several pre-conditions for an effective public management system. He argued that the ultimate result of management by objectives is decision. “Filling out forms, no matter how well designed, is not management by objectives and self control. The results are” (Drucker 1987:436). This was a direct assault on the traditional bureaucratic career system, with its focus on rules and procedures rather than outcomes (Demmke, 2006).

However, the limitations of the management-by-objectives (MBO) approach became more and more evident when other researchers pointed out the fact that a “system contains more variables than we can comprehend at one time, or that some variables are subject to influences we cannot control or predict” (Heinrich, 2003). In addition, many management-by-objective (MBO) systems failed because they were too rigid and not able to take account of behavioural factors. For example, they failed to recognise the limitations of formal systems in influencing employees’ motivation. From here, multi-dimensional and quality-focussed systems such as the Balanced Scorecard (BSC) and Total Quality Management (TQM) systems and other quality measurement systems such as Common Assessment Framework (CAF) were developed for public sector organisations. Despite all the performance management theories, until the 1990s the objectives and priorities of most governments expanded further, and more and more people were recruited as public servants. Consequently, personnel costs and public sector budgets reached a new peak at the beginning of the 1990s. This expansion of the public services and the increasing personnel costs for public services have not necessarily improved their image. On the contrary, citizens, the media and politicians have expressed more and more dissatisfaction

with the costly public sector and campaigned against the bureaucrats and their expensive, slow, inefficient, and unresponsive bureaucracies. Widespread public scepticism about a public service that is bloated and too costly, and numerous clichés about the poor performance of public servants and public organisations, also implies sharp differences between public and private organisations.

Osborne and Gaebler (1992) published suggestions for improving public organisations that later became known as the “New Public Management Movement”. Parallel to the emergence of the New Public Management, the implementation theory lost much of its importance, as more people believed that the New Public Management would automatically lead to better and more effective public services. The call for the privatisation of public services and criticism of traditional bureaucratic organisational structures led to a new wave of “bureaucracy bashing” (Demmke, 2006). Public organisations were seen as inefficient and ineffective *per se* and private sector organisations as superior and role models for the public sector. Consequently, privatisation, delegation, decentralisation, outsourcing and public-private partnerships were recommended as the best strategies for increasing organisational performance and as solutions for the “efficiency” and “performance” crisis of public sector organisations.

The New Public Management hype reached its peak after the fall of the Berlin Wall, when many observers called for quick delegation, decentralisation, outsourcing and privatisation of the highly rigid, hierarchical and ineffective public services in Central and Eastern Europe. All these recommended reforms had a strong “efficiency” focus and aimed at “doing more with less”.

With the changing focus in the public performance debate, there was also a change in assumptions about instruments and measures that are likely to induce better performance. At the beginning of the 21st century the public discourse is becoming less ideological and more pragmatic. Experts and citizens are no longer asking for “less state involvement” but for better services, more effectiveness and efficiency, respect for equity and non-discrimination issues, diversity management, the rule of law, democracy, fairness and dignity. It does not matter whether the public or private

sector, public-private partnerships or new government structures deliver these services.

Today, more observers agree that the reasons for organisational and individual under-performance are almost always very complex. Whereas the media mostly debates problems of poor education systems, inefficiencies in social security systems, cases of corruption, waste of public funds in infrastructure development, and so forth, the successes and cases of good performance of public organisations are rarely discussed.

According to Demmke (2006), organisational performance is very much the result of good networking, effective accountability systems, realistic public perceptions and expectations, the quality of monitoring and evaluation systems, institutional capacities, legal certainty and the competence of personnel.

According to the report of the United Nations' Expert Group meeting (2003), important dimensions of improving public sector performance and effectiveness include:

1. Responsiveness to community needs;
2. Equity – for example ensuring greater equity in the provision of services;
3. Quality – enhancing the quality of services;
4. Quantity – ensuring that the proper quantity of services is provided;
5. Efficiency – enhancing the cost effectiveness and efficiency of the provision of services;
6. Provision – enhancing the equity, accessibility, speed and reliability of services;
7. Reducing economic impediments – reducing the extent to which costs, practices and procedures impede economic and social progress;
8. Transparency – providing timely, relevant and complete information; and
9. Integrity – ensuring ethical behaviour.

Despite this multidimensional approach, in many countries the issue of performance is still dominated by “black and white” discussions. For example, perceptions in the media and the population about the roles and responsibilities of the public service

are still grounded in the centralised and unified public administration, which is clearly separated from the private sector. Consequently, government, politicians or municipalities are still held responsible for almost any “government underperformance” and, therefore, failures.

Contrary to this view, the reality within national public services looks very different, and public policies are administered through increasingly complex networks, decentralised governance structures, public-private partnerships and co-operative ventures between non-governmental organisations, consultants and government. The traditional concept of the public service as a single, unified employer is disappearing. Thus, the “old paradigm” of a clearly separated hierarchical, career public service no longer exists. Thus, a public-private discussion on performance issues is the wrong starting point, since it is less clear who is responsible for poor quality services – government, the public service, non-governmental organisations, public-private partnerships, private providers of public services or public servants?

The Human Relations School of thought resulted in the development of job descriptions and performance plans and agreements for individual workers with the aim of clarifying roles and responsibilities of all stakeholders. This was the basis of performance management and measurement, although the main objective was to ensure maximum return on investment for shareholders. This is the main reason why all the interest and focus was on financial accounting measures.

2.3.3. *Performance Management and Measurement*

2.3.3.1. Introduction

Interest in performance management has rocketed during the past few years. Frameworks and methodologies such as the Balanced Scorecard (BSC), Baldrige, Benchmarking, Business Excellence Model, Hoshin Kanri, Strategic Measurement Analysis and Reporting Technique (SMART) and others have each generated considerable interest, activity and consulting revenues, but very little success. Yet therein lays a paradox. For one might reasonably ask, how can multiple, and seemingly inconsistent, business performance frameworks and measurement

methodologies exist? Each framework purports to be unique and each appears to claim comprehensiveness. Yet each offers a different perspective on performance.

According to Neely, Adams and Kennerley (2002), there is a simple answer to the above question. The multiple, seemingly conflicting, measurement frameworks and methodologies exist because they add value. They all provide unique perspectives on performance and furnish managers with a different set of lenses through which they can assess the performance of their organisations.

The key is to recognise that, despite the claims of some of the proponents of these various frameworks and methodologies, there is no one best way to view organisational performance. The reason for this is that organisational performance is itself a multifaceted concept.

It is clear from the empirical study and the definitions offered by different authors that there is no single approach in defining what performance management is (Australian Public Service Commission, 2001). The findings of empirical studies conducted by the researchers such as Bititchi, Carrie & McDevitt (1997); Caiden, (1991); Drucker, (1980); Improvement and Development Agency, (2002); Osborne & Plastrik, (1997); Patel,(1994); Spangenberg & Theron, (2001); and van der Walddt, (2004) also confirmed this conclusion. All sources seem to agree that, in defining performance management, certain key areas need to be considered. These are:

1. performance management is a process;
2. performance management should be approached in a systematic way;
3. performance management should be a vehicle through which organisational goals are implemented in that those goals would have to be articulated within the system at any given time;
4. over and above being developmental, performance management should take stakeholder needs into account , and it is a participatory process; and
5. coaching should also be part of the process.

Performance as seen by authors, such as Drucker, (1980), should result in the development of both the individual and the organisation. The conclusion was also

supported by Osborne & Plastrik, (1997) and van der Waladt, (2004). The fact that performance management is developmental and relies heavily on constant coaching to illicit heightened performance from employees seems to be its main weakness. The second weakness is that some managers tend to regard it as a human resource function, and, consequently, its strategic nature is lost to the organisation.

According to Osborne and Plastrik (1997:132), performance management sets relatively weak standards for performance. An organisation's performance is usually measured against its past record or against a predetermined performance target. This tells us if it has improved or if it has achieved an established objective. But, because there are no comparisons with competitors, it does not tell us if someone else could have done better, not just how good performance could be. To remedy this situation the Department of Provincial and Local Government introduced the Municipal Performance Excellence Awards, otherwise known as the "Vuna Awards". This, in essence, means that performance management is not a powerful approach because the consequences it imposes are rarely as compelling or unavoidable as the consequences of competition. It also leaves the job of judging performance to public officials, who have an inherent interest in proclaiming the success of the organisations they fund and run.

Osborne and Plastrik (1997:145) reported that it takes a long time – often three to five years – to implement a performance management system. They argue that the long time it takes to implement the system actually improves performance more gradually than other approaches, but it can produce remarkable, sustained growth in government's productivity.

2.3.3.2. The Balanced Scorecard

The 1980s and 1990s saw an explosion in the number of authors writing about and criticising the performance measurement system used by organisations at the time. Highly vocal and influential critics, such as Kaplan and Johnson (1987), argued that traditional accounting methodologies were fundamentally flawed and that they had lost their relevance, because they were developed for the age when organisations

generated value through labour, rather than the application of technology to create knowledge (Neely, Marr, Roos, Pike & Gupta, 2003). Others identified inappropriate measurement methodologies, and the short-term behaviours that they encouraged, as a primary cause of the United States' economic decline (Hayes & Abernathy, 1980).

There was a growing belief during the beginning of the 20th century that the reliance on financial performance measures was hindering organisations' abilities to create future economic value. The belief that existing performance measurement approaches, primarily relying on financial accounting measures, were becoming obsolete motivated researchers like Kaplan and Norton (1992), Neely, Adam and Kennerley, (2002), Osborne and Plastrik (1997), Van der Waladt (2004), and others to study innovative methods of increasing organisational efficiency.

Kaplan and Norton (1992) expanded the scorecard developed by Art Schneiderman of Analog Devices to what is today known as a "Balanced Scorecard", organised around four distinct perspectives – financial, customer, internal business processes, and innovation and learning (See Figure 2.2. above). The name reflected the balance provided between short- and long-term objectives, between financial and non-financial measures, between lagging and leading indicators, and between internal and external performance perspectives.

The Balanced Scorecard was seen as more than a measurement system by several senior executives of major companies. They used it to communicate and align their organisations to new strategies: away from the historic, short-term focus on cost reduction and low price competition, and toward generating growth opportunities by offering customised, value-added products and services to customers. The experiences gained refined the strategic linkages of the scorecard, demonstrating how even 20 to 25 measures across the four perspectives, could communicate and help implement a single strategy. "So rather than view the multiple measures as requiring complex trade-offs, the strategic linkages enabled the scorecard measures to be tied together in a series of cause-and-effect relationships" (Kaplan and Norton, 1996). Collectively, these relationships described the strategic trajectory – how

investments in employee re-skilling, information technology, and innovative products and services would dramatically improve future financial performance.

These experiences revealed that the Balanced Scorecard was used, not only to clarify and communicate strategy, but also to manage strategy. The Balanced Scorecard was used as the central organising framework for important managerial processes: individual and team goal-setting, compensation, resource allocation, budgeting and planning, and strategic feedback and learning (Kaplan and Norton, 1996).

2.3.3.3. Criticism of the Balanced Scorecard

The balanced scorecard owes its origins to a company called Analog Devices that used the Hoshin Kanri practice. According to Schneiderman (1990), while the balanced scorecard is effective as a vehicle for managing longer-term strategy, it is less useful for translating this into shorter-term action plans. Schneiderman's (1990) criticism of the balanced scorecard was that the key to linking strategy to action is not the balanced scorecard itself, but its underlying focus. He points to the lack of an obvious system to break high-level goals down to a level where improvement activities reside.

Kaplan and Norton's (1992) concept of balanced scorecard opened a new field in the literature of management control. Since they started discussing the need for a more strategic and balanced performance management system, many articles have been published on the subject (Neely, 1999).

Some of Kaplan and Norton's critics argue that they were not the first ones linking measures to strategy (Beischel & Smith, 1991; Grady, 1991; McNair, Lynch & Cross, 1990; Wisner & Fawcett, 1991). However, it is difficult to deny that the balanced scorecard and similar frameworks, such as the performance prism (Neely et al., 2002), have transformed the strategic management paradigms.

A concern about the Kaplan and Norton's (1992) balanced scorecard approach is the way in which the underlying strategic objectives are evolved. They propose that the organisation's strategy is first analysed by a small group comprising key executive

managers supported by consultants. Their analysis is then used to drive the selection of objectives on behalf of the organisation's management team.

So the articulators of strategy are external agents who lack intimate connection with either the organisation or its strategy. As Mintzberg (1990) argues, while such agents or consultants may be able to mechanically articulate strategic goals and vision, their understanding of such goals and vision is unlikely to coincide with that of those within the organisation.

A further criticism of the balanced scorecard is its method of linking strategic goals to the measures ultimately selected. Kaplan and Norton (1996) explained that in the development stage, measures are selected through a process of strategic articulation that first requires the selection of key strategic objectives across the four balanced scorecard perspectives. This selection process involves the choice of strategic objectives in a way that is de-coupled from any consideration of the causality between them. Cause and effect links are considered only afterwards (Brignall, 2002). But, as Epstein and Manzoni (1997) argue, the key to aligning strategy to performance measures is found in the development of assumptions relating to the prior understanding of cause-and- effect relationships. This view is also supported in the cause-and-effect theories as described by Hedberg (1981) and later elaborated on by, for example, Burke and Litwin (1992).

Although Kaplan and Norton insist that companies should select their own measures, many have criticised the balanced scorecard model for being too limited. An example that could be cited is the view of Neely et al. (2002) that the perspectives fail to address the needs of all of the stakeholders of an organisation, and the execution may be too driven from the top for it to be effective.

Furthermore, the balanced scorecard seems to have evolved constantly from a measurement framework in 1992, to a management framework in 1996, and then to an organisation and change framework in 2000, making it more appealing to a broader audience (Kaplan & Norton, 1992, 1996a and 2000b).

Some scholars such as, Brignall, (2002), raise the question that there is little theoretical foundation to the balanced scorecard concept, and others like Lipe &

Salterio, (2000 & 2002) criticise the implied causal relationships, or the usability of the balanced scorecard (Norreklit, 2000).

These criticisms do not mean that models like the balanced scorecard and its strategy maps are fatally flawed; rather they suggest that they should be used with care as tools for managers to think with, rather than being regarded as objective representations of organisational reality. Strategy maps also represent potential new avenues for management accountability, whose broadening to include social and environmental aspects might improve the scope of corporate governance. But for improved corporate governance to be realised in practice, this would be difficult, as models, like the balanced scorecard, are inherently managerialist. Consequently, such models are likely only to take on such aspects in an instrumental sense and are, therefore, unlikely to be effective tools of emancipation.

Most organisations today are more complex than the four perspectives included in the scorecard, and executives are required to address the needs of stakeholders other than customers and shareholders alone (Freeman, 1997). To overcome the shortcomings in the balanced scorecard approach, the Performance Prism was developed.

2.3.3.4. Performance Prism

The Performance Prism is a second-generation performance measurement and management approach developed by Neely, et al. (2002). It is holistic in nature and was developed to address the criticism of the balanced scorecard that its four perspectives fail to address the needs of all stakeholders in an organisation and that the execution may be too driven from the top for it to be effective. It builds on the best frameworks already in existence and, in so doing, seeks to address their shortcomings (Neely, et al. 2002).

The premise of the Performance Prism is that it is no longer acceptable, or even feasible, for organisations to focus solely on the needs of one or two of their stakeholders, typically shareholders and customers, if the intention is to be sustainable and prosperous in the long term. The Performance Prism recognises the

importance of organisations taking a holistic approach to stakeholder management in today's culture of involvement. Its advantages are that it addresses all stakeholders, not only investors, but also customers and intermediaries, employees, suppliers, regulators and communities.

Neely, et al., (2002) argues that organisations and their stakeholders have to recognise and accept that their relationships are reciprocal. This is done in two ways, namely, by considering the requirements of those stakeholders and, uniquely, what the organisation wants and needs from its stakeholders. In this way, the reciprocal relationship and the exchange process with each stakeholder is examined. The Performance Prism also addresses the strategies, processes and, importantly, the capabilities that are needed to satisfy these two critical sets of wants and needs.

According to Neely, et al. (2002:9), the strategies, processes and capabilities of an organisation have to be aligned and integrated with one another if the organisation is to be in the best position to deliver real value to all of its stakeholders. Aligned measurement systems rely to a large extent on integrated organisational strategies across functions.

According to Neely, et al. (2002:160), the Performance Prism is a three-dimensional framework that has been deliberately designed to be highly flexible so that it can provide both a broad and narrow focus as required. Its flexibility allows it to be applied to any organisation or organisational component.

The Performance Prism consists of five interrelated perspectives on performance which pose the following specific and important questions:

1. Stakeholder Satisfaction: who are our key stakeholders and what do they want and need?
2. Stakeholder Contribution: what do we want and need from our stakeholders on a reciprocal basis?
3. Strategies: what strategies do we need to put in place to satisfy the wants and needs of our stakeholders while satisfying our own requirements too?

4. Processes: what processes do we need to put in place to enable us to execute our strategies?
5. Capabilities: what capabilities do we need to put in place to allow us to operate our processes?

Together these five perspectives provide a comprehensive and integrated framework for thinking about organisational performance. Figure 2.5 illustrates these five basic perspectives of organisational performance management and measurement. It is, therefore, clear that organisations planning to be successful in the long term within today's business environment have to have a clear picture of their key stakeholders, who they are, and what they want and need.

In order to satisfy their own work and needs, organisations have to access contributions from their stakeholders; usually capital and credit from investors, loyalty and profit from customers, ideas and skills from employees, goods and services from suppliers, and so on. They also need to have defined what strategies they will pursue to ensure that value is delivered to their stakeholders. In order to implement these strategies they have to understand what processes the organisation requires and must operate both effectively and efficiently. Processes, in themselves, can only be executed if the organisation has the right capabilities in place; that is, the right combination of people skill-sets, best practices, leading technologies and physical infrastructure. In essence, the Performance Prism provides a comprehensive, yet simple, framework that can be used to articulate an operating model of a given business.

Kaplan and Norton (2001) argued strongly for the use of strategy maps for their Balanced Scorecard. But one of the advantages of the Performance Prism framework is that it makes explicit what elements should be covered in a success map (strategy map in the Balanced Scorecard terms). According to Neely, et al. (2000), the disadvantage of the traditional Balanced Scorecard is that the strategy map covers only the four perspectives on the scorecard, which is too narrow in their view. These are financial, customers, internal business processes and innovation

and learning. Performance Prism success maps should cover all perspectives of the framework if they are to derive measures from all strategies.

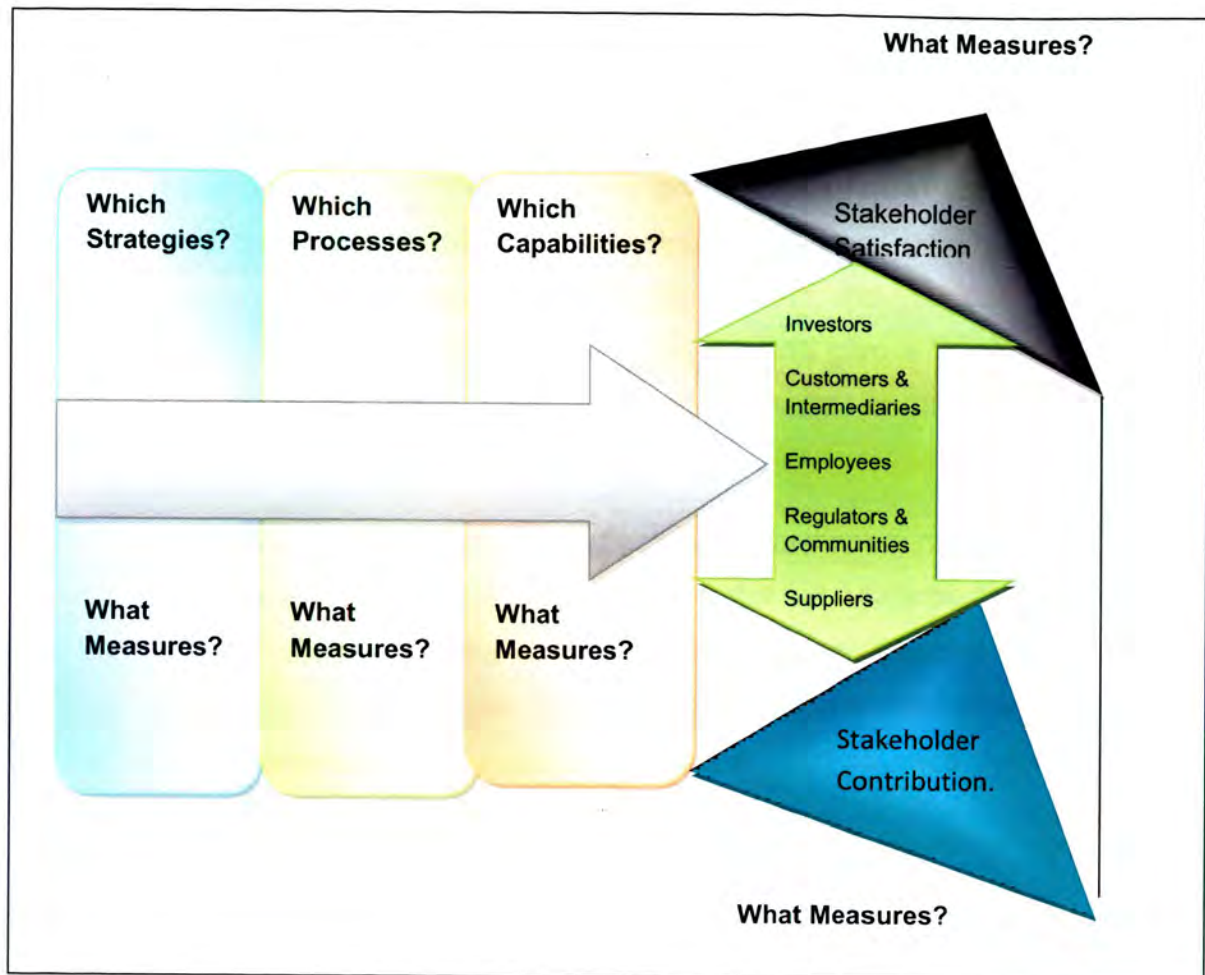


Figure 2.5: Performance Prism. (Source: Neely, et al. 2000).

The focus on intangible performance drivers makes the framework useful for companies attempting to measure their intellectual capital. It also creates a visual map of how the different areas of performance interrelate. It explicitly acknowledges that all five facets of the Performance Prism should be covered in a so-called success map. In this way, it avoids the often-criticised narrowness of the balanced scorecard (Neely, et al. 2002).

2.4. Benefits of Performance Management Systems

An effective performance management system has a number of benefits that assist in resolving the challenges encountered in the traditional management control system. These benefits can be summarised as follows:

1. **Quality Information:** performance management systems support effective strategic planning and budgeting processes – known as service delivery and budget implementation planning in the local government context – because they align strategic plans with the budget performance. Performance reports are more complete and give a “line-of-sight” on the organisational vision. The alignment results in higher organisational performance.
2. **Early Warning System:** an effective performance management system functions as an early warning indicator of underperformance, giving signals about potential challenges before they become comprehensive problems. This enables managers to anticipate new developments and take remedial actions because of the performance information they receive.
3. **Enhanced Management Support:** performance management systems make the concepts of continuous improvement and the learning organisation real. The early warning system forces management to have a better insight into, and a better grip on, organisational performance, cost containment, product quality, and service improvements.
4. **Improved Communication:** an effective performance management system forms a strong foundation for horizontal and vertical organisational communication. It makes information sharing between departments and organisational units much quicker, making information less prone to being used as a source of power for negative motives.
5. **Aligned Culture:** an effective performance management system standardises information, providing a better basis for discussion at all levels of the organisation. The “just-in-time” high quality information

improves decision making and delegation processes. The communication system motivates employees because their responsibilities are made very clear and they receive regular feedback on their performance.

Notwithstanding these benefits, there is little empirical evidence that clearly links the use of nonfinancial measures and organisational performance (De Waal, 2002). This could be the result of the fact that organisations, especially municipalities, either consider performance management system less important than organisational structural arrangements, or that performance is a complex variable with multiple factors contributing to the level of global performance at any stage. According to Armstrong and Baron (1998), it is a matter of speculation as to whether performance management created the results in the most effective companies or whether the most effective companies were the ones most likely to introduce performance management.

Nonetheless, an increasing body of anecdotal evidence can be found about the positive relationship between the use of a performance management system and the performance of the organisation. According to the Institute of Management Accountants (1998), some of the best companies in the world cite their integrated performance management system (IMIS) as one of the key drivers of their success. The review of the literature suggests that organisations that have an effective performance management system perform better in all areas than organisations with a negative performance culture. This can be explained by the fact that smart measures focus and motivate organisations to act in a strategic behavioural way.

Schiemann and Lingle (1999) concluded that companies with a balanced and integrated performance management system displayed a larger number of cultural differences than their peers. These differences are displayed in table 2.1 (see page 46).

Recent studies by Armstrong & Baron, (1998); Chenhall & Langfield-Smith, (1998) and Gubman, (1998) give more proof that effectively implementing a performance management system bear fruits in organisational performance. This finding gave

authors like Kaplan & Norton, (2000); Mavrinac & Vitale, (1997); Rucci, Kirn & Quinn, (1998); and Schiemann & Lingle, (1999) a compelling argument for organisations to implement such a system.

Table 2.1.: Organisational Cultures of Different Performance Management Systems.

No.	Indicator of Organisational Success.	Organisations with a Balanced & Integrated PMS (%)	Organisations with a Non-balanced PMS (%)
1	Clear agreement on strategy among senior management.	93	37
2.	Good cooperation and teamwork among senior management	85	38
3.	Unit performance measures are linked to strategic company measures.	74	16
4.	Information within the organisation is shared openly and candidly.	71	30
5.	Effective communication of strategy to organisation	60	8
6.	Willingness by employees to take risks.	52	22
7.	Individual performance measures are linked to unit measures.	52	11
8.	High levels of self-monitoring of performance by employees.	42	16

Source: Schiemann, & Lingle, (1999).

2.5. Reasons for the Failure of Performance Management Systems

2.5.1. Introduction

One wonders, why organisations are unable to implement performance management systems effectively if there are so many benefits to using them. Two reasons that could explain this inability readily come to mind. It could be because these systems

are not easy to implement and use and they require special knowledge and training. The second reason could be that, “as soon as measures are used as a means of control, the people whose indicators are tracked begin to manage the performance on their indicators instead of the performance on their activities” (De Waal, 2002).

To address this challenge, the Department of Developmental Local Government and Housing developed the Performance Management Systems Implementation Manual. The manual was launched during October 2007.

According to the research conducted for this manual, many municipalities were able to implement PMS after 2001, even though evidence of success is minimal. Reports of the two status quo audits conducted during November 2005 and March 2008 to determine the success of the implementation of performance management systems revealed huge performance gaps between municipalities that were managed through measures and those that did not implement a performance management system. In a measurement-managed municipality, executive councillors and senior management were reported to be in agreement on measurable criteria for determining strategic success and in such a municipality management performance measures were reviewed at least bi-annually. The report also showed that municipalities that implemented performance management system effectively tended to have better teamwork at management and leadership levels, better communication throughout the organisation, and better self-management at the bottom. Better alignment translated into better results for municipalities with effective performance management systems. This is confirmation of the results of the study, quoted above, and conducted by Schiemann and Lingle (1999) in the United States of America.

But not all adopting municipalities have succeeded with the implementation of performance management systems. Several, despite spending considerable effort, and, in some instances, considerable resources, could not implement performance management systems as prescribed by the Municipal Systems Act, 2000 and Municipal Finance Management Act, 2003. Many managers reported that it was difficult to cascade performance management systems throughout the municipality.

Some municipalities still find it difficult to implement performance management systems despite a number of national and provincial initiatives that provided a generic approach for developing and implementing such systems. The audit identified four classes of challenges or “silent killers,” as Beer (2000) calls them that inhibit effective municipal organisational performance management systems implementation. They are transitional issues, design issues, process issues, and behavioural issues. These challenges are discussed below to enable municipalities to identify and avoid them easily.

2.5.2 Transitional Issues

The majority of municipalities were disappointed after major organisational changes, especially after the election of new municipal councillors. For example, Executive Mayors would make tremendous progress in the development and implementation of performance management, only to be removed from their positions when there is political power change. The new municipal council and mayor would want to drive the municipality in a certain strategic direction. This direction would, in most cases, be in tangent with work that was done by the previous Executive Mayor. The council would most likely not be willing to retain the management system or management team that had led the municipality during the term of the previous council. Within six months, the municipal manager and her/his senior management team would be forced out of the municipality for various reasons.

Municipalities typically employ new municipal managers and senior managers at extremely high cost to the municipality to justify their removal of the so-called “counter revolutionaries” in the name of accelerated service delivery. In all these activities, the performance management system is always relegated to the backyard until the municipality is unable to account for its activities through the annual report, and the Auditor-General produces “adverse” or “disclaimer” reports. In addition, if the new senior management team is most adept at cost-containment and driving productivity improvements, they may undervalue the service improvement features of the performance management system. According to Kaplan and Norton (1996:358), people who have become good surgeons – cutting waste and

inefficiency wherever they can find it– do not suddenly become creative architects, designing new organisational forms and developing innovative growth strategies.

One failure reported in the literature actually was a story in which performance management won a local battle but got lost in a larger war (Birchard, 1996:36). The first reports from the performance management system made it clear that the Executive Mayor's strategy was not working, so the municipality changed course. This was the local success as performance management systems provided feedback on a bad strategy. But the municipal council attributed the bad strategy to the Executive Mayor, who was replaced. The new Executive Mayor implemented a new strategy and, in the process, discarded the performance management system as he mistakenly associated it with the old, failing strategy.

These transitional issues arose in most of the municipalities in the province. The performance management system did not survive a change in leadership after the 2006 local government election. Municipal managers' contracts were not renewed. They did not actively involve their senior management teams and councils in the development of the performance management system, believing that councillors should monitor the strategy implementation but not participate in its formulation. In the recruitment process of new municipal managers, municipal councils did not place sufficient weight on finding leaders who would be committed to the implementation of performance management system. They selected people whose immediate priorities were to deal with operational issues left by their predecessors and to ensure that change was effected in the composition of the senior management team. The performance management system was new to them, they had no commitment to it, and they never implemented it, much to the disappointment of managers who had invested much time and energy in the new system. Municipal councils, given their lack of involvement with PMS, did not press the issue of performance management system implementation.

The Performance Management Systems Implementation manual (2007) outlined the roles and responsibilities of a leader, where performance management system represents alignment with regard to leadership and management style. The style

emphasises vision, communication, participation, and employee initiative and innovation. When such a leader is replaced by a manager who likes to be completely in control – a leader whose management style includes formal, hierarchical planning systems; extensive performance agreements to ensure that individual employees operate within their operational silos; and management control systems to monitor that all units and employees are complying with centrally determined plans – then the performance management system is not likely to survive the transition.

As disappointing as these events are, they represent the minority of implementation failures of performance management systems. Experience suggests that disappointing results are more often self-inflicted, owing to internal factors in the municipality rather than being attributable to external events.

2.5.3 Design Failures

Some failures occur when municipalities actually design poor performance management systems. For example, municipalities may use too few measures (only one or two measures per key performance area) and fail to obtain a balance between the outcomes they are trying to achieve and the performance drivers of those outcomes. Others include far too many measures and never identify the critical few. Schneiderman (1999) claims that some performance management systems fail because they do not contain the correct “drivers” of the organisational outcomes, or do not link to specific improvement programmes for the scorecard process measures. While this is certainly possible, experience indicates that municipalities who imbed performance management systems with active strategic learning and improvement processes learn over time about the appropriate and effective drivers of organisational performance. Municipalities whose performance management systems projects fail because of poor design are typically not designing performance management systems to tell the story of their strategy.

For example, municipalities who only build key performance indicator scorecards are not likely to realise performance breakthroughs. Key performance indicator scorecards can drive improved operational performance, but unless they are

accompanied by an explicit strategy to capture the benefits, the municipality will experience disappointing outcomes (Stermann, Repennin & Kofman, 1997).

A similar problem exists with stakeholder scorecards. Performance management systems that focus on keeping customer/clients, employees, suppliers and the community satisfied usually lack a strategy to create sustainable financial capacity. Both key performance indicators and stakeholder scorecards omit critical internal processes and the linkages for driving breakthroughs for customers and other stakeholders.

Failure also occurs when business units are not aligned with an overall organisational strategy. Most municipalities fail because their structures are not aligned to the priorities and objectives of the integrated development plan. If each business unit follows its own path in developing the service delivery and budget implementation plan and performance management system, municipalities will not have a common vocabulary. Many municipalities are unable to implement the concept of performance management system because each unit does it differently, with no overall coordination or linkage for corporate-level synergies. Senior executives lack a coherent framework for the diverse systems used by their operating and service units. Without common high-level management processes, either in deployment or feedback and review, any performance management system success is likely to be temporary.

2.5.4 Process Failures

The most common causes of implementation failures, however, are poor organisational processes, not poor performance management systems design. The last decade has seen at least the following seven different types of process failures regarding a municipal organisational performance management system:

1. Lack of senior management and leadership commitment;
2. Too few individuals involved in the management of organisational performance;
3. Inability to cascade the Performance Management System throughout the municipality;

4. Too long a development process;
5. Treating Performance Management System as a systems project;
6. Employing inexperienced consultants; and
7. Introducing the Performance Management System only for compensation.

1. Lack of Senior Management and Leadership Commitment

Perhaps the biggest source of failure occurs when the project to develop and manage a performance management system is delegated to a member of the middle management team. Middle managers can assist municipalities to improve existing organisational operations. But transformation, and the alignment of organisational processes and systems to strategy, requires leadership from the top.

Senior management and leadership commitment is required for several reasons. First, senior management and the executive leadership must articulate the strategic direction of the municipality. Research has revealed that few middle managers understand the strategic direction of their municipalities. According to Beer and Eisenstat (2000), a middle management team is, therefore, unlikely to capture the strategy of the municipality when developing a performance management system framework. Only the senior management team has been empowered to make the difficult choices and trade-offs required for an effective strategy. The municipal council is unlikely to delegate to a middle manager the right to prioritise development projects to be implemented in the municipality. Lacking either knowledge or decision rights about strategy (usually both), middle managers cannot formulate corporate or technical service delivery and budget implementation plans linked to the integrated development plan of the municipality. Senior management is also required if consensus about setting certain measures is difficult to achieve; the director responsible for that affected directorate must serve as a tie-breaker if the project reaches an impasse because of a lack of consensus about certain measures.

However, even more important than the senior management team's knowledge and authority, the process of building an effective performance management system requires an emotional commitment from them. Kaplan and Norton (1996) refer to this

as the “bacon and eggs breakfast” requirement. The chicken is involved in creating this meal, but the pig makes a real commitment to it. The senior management team needs to have a real “skin in the game”. They should be investing hours of their time in the process. Some of this time is consumed in one-on-one interviews with the project team of performance management systems. More important than this is the time spent in actual meetings where the senior management team members debate and argue among themselves about the objectives and measures relating to the corporate service delivery and budget implementation plan. These meetings build an emotional commitment to the integrated development plan, to the performance management system as a communications device, and to the management processes that build a Strategy-Focussed municipality. Such senior management commitment seems both necessary and also desirable for success.

2. Too Few Individuals Involved

In most municipalities, the performance management systems manager or coordinator is left to build the service delivery and budget implementation plan and performance agreements alone. Rather than being part of a team process to develop and implement the performance management system, the lone manager makes two assumptions. First, there is the belief that the senior leadership team is always busy dealing with many initiatives, both collectively and within their own responsibilities, and have too many meetings already on their calendars. Adding another series of meetings to build and implement the performance management system with this team would be very difficult. Secondly, with analytic abilities and deep knowledge of the strategy of the municipality, the performance management system coordinator/manager should be able to develop and implement performance management system by him or herself. This is what they do. Arguably, an excellent performance management system is developed – one that captures the strategy of the municipality well and has an appropriate balance of outcomes and performance drivers.

The report on the status of local government in the North West (1998) revealed that nothing has changed in most municipalities. The senior management team has less financial data to review and more non-financial statistics. Decisions are still being made in the same way, and the leadership and management style of municipalities is

still focussed on influencing the variables that have always been used by senior management. The commitment both to the integrated development plan and its implementation requires that the senior leadership team be actively involved in the formulation of objectives, measures and targets. Otherwise, their attitudes and their behaviour will not change. If people claim that they already attend too many meetings, the performance management system manager should use meetings already scheduled – such as quarterly strategic review meetings – to drive the performance management systems development and implementation processes. Municipalities that currently have too many meetings are the ones for whom the performance management system is most needed.

Of course, trying to develop the performance management system with too many people can also prove fatal. The intensive interactions suggest that group sizes be kept to a number at which active discussion from all participants can occur and where achieving consensus is a realistic goal. Municipalities can involve a broader set of people in the performance management system development process by cascading service delivery and budget implementation plans from the top level down to departments, units, teams, and others.

3. Keeping the Score at the Top

The opposite of not involving the senior executive team is to involve only the senior executive team. For a performance management system to be effective, it must eventually be shared with everyone in the municipality. The goal is to have everyone in the municipality understand the integrated development plan and contribute towards implementing it.

When a performance management system is cascaded throughout the municipality, it provides the basis for setting local initiatives and promoting knowledge and learning on key organisational processes. It facilitates the sharing of best practices, either through publicised stories in the municipality's newsletter or, more formally, through knowledge-sharing networks. Municipalities that do not cascade the performance management system throughout the organisation lose the potential for

employee innovation, creativity, and learning. They fail to make strategy everyone's everyday job.

4. Too Long a Development Process: Treating Performance Management Systems as a Onetime Event

Some failures have occurred when the project team allows the “best to be the enemy of the good.” The team, believing in the big-bang theory of organisational theory of change, feels it has only one chance to launch a performance management system, so it wants to produce a perfect system. This is what is known as looking for a quick win in current local government terms. The team believes that it must have valid data for every measure, so it spends months refining measures, improving data collection processes, and establishing baselines for performance measures. Four years after the start of the performance management system project, management and the municipal council has yet to discuss performance information in any meeting.

According to Kaplan and Norton (2001), international research has revealed that the most successful performance management system implementations start with missing measurements. Sometimes up to one third of the measures are not available in the first few months. Yet management still uses the performance management system as the agenda for its performance review and resource allocation processes, thereby embedding it into the management system. The integrated development plan and service delivery and budget implementation plan become living documents in this way. Conversations take place around objectives and measures, even without specific data on the measures. This way the measures themselves evolve with use and experience.

Action learning – learning by doing – is a powerful paradigm. A performance management system is not a one-time event. It is a continuous management process. The objectives, the measures and the data collection will be modified over time, based on organisational learning.

5. Treating the Performance Management System as a Systems Project

Some of the most expensive failures have occurred when municipalities have implemented a performance management system as an information system project rather than a management project. These failures typically occur when an outside consulting company, particularly one specialising in designing and installing large systems, convinces the municipal manager and mayor to engage consultants to install an organisational performance management system. The consultants spend the next two to four years, and several millions of rands, automating all existing data collection systems and providing a standard reporting interface, and, perhaps, even data mining capabilities, so that managers can have an executive information system on their desktop or laptop. The executive information system enables managers to access any existing piece of data or sort through the extensive database in many different ways. Not surprisingly, hardly anybody uses the new system. Automating and facilitating access to the thousands and millions of data observations collected in a municipality are not what performance management system is about.

One recalls that municipalities that already had extensive databases and systems still lacked up to one-third of measures on their initial performance management system. Automating and mining existing data would never identify the critical missing measurements. The question of balance should also be considered. Giving managers access to more than 100 000 possible pieces of data is not a substitute for having an organised strategy map with cause-and-effect linkages across the twenty to thirty measures that truly represent the most important strategic variables.

Most importantly, consideration should be given to the issues raised by the first two pitfalls or barriers that block performance management system implementation. Municipalities that delegate the development and implementation of performance management system to an outside systems consulting company will rarely engage the senior management team in a strategic dialogue. It should not be surprising, therefore, that the senior managers do not use their new executive information system, and certainly, they never manage the municipality differently just because they now have direct access to the minutiae of all the data in their municipality.

A performance management system must start with a comprehensive strategic or integrated development plan review that engages the managers within the municipality. It cannot be delegated to an IT group or a systems implementation service provider. A performance management system should start with a management process, not a systems process.

Systems and technology are important. By imbedding a performance management system into an ongoing data collection, information reporting, and learning and review processes, the integrated development plan and performance management system becomes a living part of the municipality. However, it must be stressed that the systems and technology input comes after the initial management process that generates the objectives, measures, targets, initiatives, and linked scorecards throughout the municipality. And even more important, the front-end management process generates the commitment to manage the municipality via the performance management system.

6. Employing Inexperienced Consultants

Employing consultants who treat a performance management system as a systems project is related to another pitfall, namely, employing consultants for whom the project represents the first performance management system development and implementation they will have done. Many consulting companies respond to the requests of municipalities for assistance in implementing organisational performance management systems. All too often, unfortunately, consultants just rename whatever measurement or information systems approach they are accustomed to delivering as a performance management systems or a Balanced Scorecard. Using inexperienced consultants or consultants who deliver their favourite methodology under the rubric of a performance management system or Balanced Scorecard is most surely a recipe for failure.

This point was driven home forcefully to the department when it was learned of municipalities that had just recently spent several million of rands on performance management system projects that were widely regarded as major failures. The

management of the department made an appointment to meet with the senior management of one of the municipalities to learn what had happened with the development of their performance management system. Was it a problem with the performance management system concept and management system that needed to be addressed? Upon arrival at the meeting, the municipal manager admitted that:

“we screwed it up; the performance management system is fine. I saw it work with great effect at my previous municipality. But the project was not positioned well in this municipality, and the consultants we hired, while claiming expertise on the subject, did not have a clue about how to organise the performance management system project or implement the system”.

7. Introducing Performance Management System Only for Compensation

Management agree with the idea of tying compensation to strategic measures on the performance management system. Municipalities use the link to compensation as a powerful lever to gain the attention and commitment of individuals to the implementation of the integrated development plan. However, some municipalities skip the strategy translation part of the performance management system process. They simply introduce new, nonfinancial measures to their incentive compensation plan. This can happen when municipalities build a stakeholder scorecard by including indicators on environmental performance, employee diversity, and social ratings like the percentage reduction in teenage pregnancies or HIV/Aids infections.

Managers, of course, now focus more attention and energy on the new indicators. Performance on the nonfinancial measures improves but overall financial and service delivery performances do not improve, leading to some tension and conflict in the municipality. Managers wonder why the performance management system did not work for them. The answer is not completely obvious. Scorecards used to introduce nonfinancial indicators into a compensation plan do not capture how the nonfinancial indicators lead to improved service delivery and financial performances. The link to compensation drives service delivery and financial performance when based on a strategy scorecard, not on a stakeholder or key performance indicator scorecard.

2.5.5 Summary

Very few municipalities are already enjoying the benefits of their performance management systems. Implementing failures do occur, but most are self-inflicted. After a change in municipal leadership or change in control, municipalities generally revert to traditional management systems because the new leadership has not experienced the benefits of operating the performance management system. Other failures represent breakdowns in implementing the performance management system concept, such as inadequate sponsorship, commitment and support from the senior management team, designing scorecards not linked to a strategy, using inexperienced consultants, and deploying inadequate resources.

The challenges mentioned in relation to the effective implementation of performance management systems can be divided into five categories:

Table 2.2.: Performance Management Systems' Implementation Challenges

1. Behavioural Displacement.	The performance management system encourages behaviours that are not consistent with the strategic plan of the organisation. For example, managers in most municipalities pursue narrow departmental objectives at the expense of the objectives of the municipality as a whole. They tend to contest strongly most of the priority areas of strategic importance to the municipality that are to be monitored and evaluated. The municipal reward schemes, directed at paying performance bonuses to only senior managers, work against the team spirit, which causes sub-optimization. Managers become myopic and measurement fixated.
2. Gamesmanship.	Gaming can come in the form of "creative reporting" and fraud. If excessive reliance is placed on measures to control the organisation, there is an incentive for managers to manipulate data under their control to show their directorate's performance in the most advantageous light (misrepresentation). This misrepresentation may lead to the misallocation of resources and, therefore, the incapacity of other directorates that really need resources.
3. Operating	These delays are generally caused by administrative and bureaucratic

Delays.	procedures designed as control measures. An example that can be cited is the number of signatures required to authorise a requisition form before purchases can be made. These delays cause frustration and resistance to the performance management system. Inertia also occurs when lagging performance results are not dealt with and employees are not given feedback on their performance.
4. Negative Attitudes.	Managers feel threatened by the performance management system, which causes negative attitudes like tension, conflict, frustration, and resistance. The cultural mismatch, which is caused by the quest to select relevant and valid approaches that are culturally and politically acceptable in the organisation, can be highly problematic. Cultural barriers can be created when organisations approach performance monitoring and evaluation from the traditional and cultural manner. These traditions or embedded cultural norms are formidable barriers to change and can cause many negative feelings.
5. Structural Deficits.	There is no “one-size-fits-all” in the development of performance management systems. The system developed for some organisations may fail to be effective in apparently similar organisations. Indicator overload can also occur when the development of the system is complicated by too many separate measures.

(Source: De Waal, 2002, New York, John Wiley and Son, Inc.) Adapted.

According to Holloway (2000), many of the challenges experienced in the development and implementation of the performance management system as described above can be seen as “facts of organisational life” that are related to change management, culture and power. Acknowledging their existence and being sensitive to them when developing and implementing performance management systems may help to address them. They reflect the natural evolutionary cycle that is at work in the development of theory and practice in the field of performance management (De Waal, 2002). The most advanced organisations in the implementation of performance management systems seem to be asking the next logical question in this evolutionary cycle: how to use the performance information provided by the new system? (Neely, 2000).

2.6. Behavioural Factors

The aim of this section is to address the research question: What is the relationship between the identified behavioural factors and the effective implementation and use of the organisational performance management system?

Performance can be considered an outcome of both organisational and human activities. Originally, performance measures were used as surrogates for the outcomes, and a direct link between performance management systems, human nature, and outcomes was not made (De Waal, 2002). This omission was addressed by Argyris (1952) and later on by Simon, Guetzkow, Kozmetsky, and Tyndall (1954). They explored the human behavioural side of performance management system use, looking specifically at the budgeting system. Both studies concluded that budget and budgeting processes could be associated with important human relations problems. These included worker-management separation, cross boundary conflict, job related tension and so forth. Their conclusions were substantial departures from the mechanistic approach to performance measurement found in traditional management theory.

Now lately, the issue of the human element is receiving more attention in the literature than it did before. Simon (2000) argues that performance measurement and control systems cannot be designed without taking into account human behaviour. Holloway, Lewis, and Mallory, (1995) argue that successful implementation of performance measurement depends, above all, on understanding and accommodating the human element. A closer look at the literature reveals that much of this attention given to the human element seems still to be focussed on its relationship to the budgeting system. In this respect, Hartmann (2000) contends that it should be investigated whether personality factors related to individual preferences for risk and uncertainty are important determinants of managerial behaviour attitudinal reactions to budgeting, organisational behaviour, behavioural accounting, and systems theory. In addition, Vagneur and Peiperl (2000) state that individual psychological responses to performance assessment should be investigated, taking into account research from the fields of psychology. Next to this, much of

performance management research has been focussed on the technicalities of implementing a performance management system rather than on behavioural issues (Martins, 2000).

In recent years, an increasing number of organisations, including municipalities, has implemented performance management systems that are based on key performance areas (KPA's) and key performance indicators (KPI's). A frequently used model in this context is the balanced scorecard (Kaplan & Norton, 1996). Despite the increase in experience gained with these systems, there is still a lot to be learned about the factors that influence the effective use of key performance areas, key performance indicators and the balanced scorecard (Vosselman, 1999). According to Vagneur and Peiperl (2000) and Krause (2000) the influence of stakeholders' characteristics on the use of performance management system has not been sufficiently studied in scientific and professional literature. This is a possible topic for future or further research.

A number of recent studies into the behavioural aspects of performance management systems implementation and use have had as their aim the filling of this gap. Lipe and Salterio (2000) found that cognitive limitations of managers may prevent organisations from benefitting fully from a performance management system and those cognitive differences between managers may lead them to use the performance management system differently. Malina and Selto (2000) also found that positive outcomes from performance management systems use were mostly determined by the effectiveness by which the system was used as a management control device, while these outcomes were not attributable to its use as a communication device. De Waal's (2002) finding was that positive outcomes are generated by better strategic alignment of employees and better motivation, which indicates that causal relationships exist between performance management system design, management control use, managerial and employee behaviour, and performance.

From a review of the academic and practitioner literature, seven studies that dealt specifically with behavioural factors in organisational performance management and implementation were found. Three of these: (a) Gates (1999); (b) Lingle and

Schiemann (1996); and (c) Maisel (2001) used a survey methodology for identifying the key factors related to the use of organisational performance management systems. The remaining four: (d) De Waal (2002); (e) Ho and McKay (2002); (f) Johnston, Brignall and Fitzgerald (2002); and (g) Kaplan and Norton (2001); used case study methodology in their search for evidence of those factors that support the process of managing through measures.

In summary, from the above studies it can be concluded that the critical behavioural factors facilitating the use of strategic performance management systems in organisations are the following:

1. **Organisational Culture:** All authors found this factor in their research. However, some studies highlight the need for a corporate culture that encourages teamwork, ownership of problems and risk taking or entrepreneurship (Lingle & Schiemann, 1996; Gates, 1999; Maisel, 2001, and Johnston *et al.* 2002). Others, however, emphasised the need for a corporate culture that is orientated towards continuous performance improvement and the use of organisational performance management (Kaplan & Norton, 2001; Ho & McKay, 2002; and De Waal, 2002).
2. **Alignment:** There seems to be a consensus around the importance of this factor because six of the studies found it to be significant. These are Lingle and Schiemann, (1996); Gates, (1999); Maisel, (2001); Kaplan and Norton, (2001); Ho and McKay, (2002); and De Waal, (2002). According to Lingle and Schiemann, (1996); Gates, (1999); Maisel, (2001) and Ho and McKay, (2002), alignment is defined as the link between the performance measures of business units and organisational performance measures, while the remaining two studies define alignment as the integration and linkage of individual strategies and goals and the “good match” between the responsibilities of managers and organisational performance management systems (De Waal, 2002).
3. **Review and Update:** Senior management review and update of the organisational performance management systems and measures have also appeared six out of seven times (Lingle & Schiemann, 1996; Gates, 1999; Kaplan & Norton, 2001; Johnston *et al.*, 2002; Ho & McKay, 2002).

Four of them (Lingle & Schiemann, 1996; Gates, 1999; Johnston *et al.* 2002; and Ho & McKay, 2002) underline the need for continuous review of the organisational performance management system and measures. Two of those four studies, specifically, point out the need for continuous review of the strategy and not only the organisational performance management system and measures (Kaplan & Norton, 2001) and they suggest that measures should be reviewed on a rolling monthly basis rather than the traditional annual review (Johnston *et al.*, 2002). De Waal, (2002) reports that the organisational performance management system should focus on internal management and control, whereas three others (Kaplan & Norton, 2001; Johnston *et al.*, 2002; and Ho & McKay, 2002) clearly show that the organisational performance management system should focus on measures to drive action for improvement and learning rather than control. Furthermore, two studies (Gates, 1999; and Ho & McKay, 2002) explicitly recommend that senior managers should develop action plans in order to explain how the gaps between measures and goals could be closed and to review their progress periodically.

4. Communication and Reporting: Five studies (Lingle & Schiemann, 1996; Gates, 1999; Maisel, 2001; Kaplan & Norton, 2001; and Ho & McKay, 2002) highlighted the importance of clear communication of performance measures and of the actual progress made in achieving them. The researchers of these reports emphasise the need for prompt and formal feedback.
5. Involvement of Employees. There is a clear consensus around the benefits of making everyone participate in the development of measures (Lingle & Schiemann, 1996; Maisel, 2001; Kaplan & Norton, 2001; and Ho & McKay, 2002). Involvement in the selection and definition of measures can reduce resistance to the implementation of an organisational performance management system by employees and managers, and also increase the usage level of performance measures.
6. Management Understanding: Four studies (Lingle & Schiemann, 1996; Maisel, 2001; Kaplan & Norton, 2001; and De Waal, 2002) agree on the influence that this factor has on the ability of management within

organisations to manage through measures. Two of the studies (Maisel, 2001 and Kaplan & Norton, 2001), point out the necessity for formal education and training processes for improving the understanding of the organisational performance management systems and measures by managers.

7. **Reward and Compensation Link:** Studies conducted by other researchers (Gates, 1999; Maisel, 2001; Kaplan & Norton, 2001; and Ho & McKay, 2002) concur on the importance of the linkage between incentive compensation and strategic measures. Three studies (Gates, 1999; Maisel, 2001; Kaplan & Norton, 2001) report a positive impact of the link between compensation and strategic performance measures in the organisational performance management system, whereas Ho and McKay (2002) report the opposite. In addition, a lack of understanding around the concept of compensation seems to exist, since the studies use the words “incentives”, “rewards” and “compensation” indistinctly, and do not provide a clear definition of any of these concepts.
8. **Management and Leadership Commitment:** According to Maisel, (2001); Kaplan and Norton, (2001); Ho and McKay (2002); and De Waal (2002), this factor is very important in the implementation and use of the organisational performance management system. Maisel, (2001), and Kaplan and Norton, (2001) highlighted the necessity of executive support, leadership and commitment. Maisel, (2001) and Ho and McKay (2002) concluded that management should have clear accountability and responsibility for measures and results. De Waal (2002) points out that a key issue of managing through measures is the attitude of management towards the organisational performance management system and its functioning.
9. **Clear and Balanced Framework:** The use of structured approaches to performance measurement that include financial and non-financial issues was highlighted by Lingle and Schiemann (1996), Maisel (2001), Kaplan and Norton (2001), and Johnston *et al.* (2002). Kaplan and Norton (2001) claim that a balanced organisational performance management framework should have four perspectives or dimensions: financial,

customers, internal processes and learning and innovation. However, Lingle and Schiemann (1996) argue that there should be six performance areas that drive the long-term performance of an organisation. These are financial performance, operating efficiency, customer satisfaction, employee performance, innovation and change management, and community or environmental issues.

10. Agreement on Strategy and Success Map: Four studies (Lingle & Schiemann 1996, Gates 1999, Maisel 2001, and Kaplan & Norton 2001) stress the importance of agreement by the senior management team on strategy and on the measurable criteria for strategic success.
11. Data Processes and Information Technology Support: Two studies by Maisel (2001) and Ho and McKay (2002) address the relevance of having an adequate information technology infrastructure for supporting data collection, analysis, interpretation and reporting processes.
12. Target Setting: Gates (1999) and Kaplan and Norton (2001) included the formal process of setting targets for measures among the factors that are required for managing through performance measures.
13. Budget Link: According to Maisel (2001) and Kaplan and Norton (2001), it is extremely important to link organisational performance management systems to the budget setting process, and
14. Management Support Systems: One study (Maisel, 2001) highlights the role that management support systems, tools and processes play in helping managers to cope with measures.

In addition to these factors, five studies (Lingle & Schiemann, 1996; Gates, 1999; Maisel, 2001; Johnston *et al*, 2002 and Ho & McKay, 2002) point out different issues related to the type of measures that best facilitate the use of organisational performance management systems. Some (Lingle & Schiemann, 1996; Maisel, 2001; Johnston *et al*. 2002 and Ho & McKay, 2002) highlight the benefit of having a few, clear, and simple measures for better understanding and managing the process; whereas Gates, (1999) highlights the importance of identifying and selecting the right measures.

Having a closer look at the results of the seven studies, one is aware that none of them provides any indication of the relative importance of each factor. This knowledge gap and the incentive to validate and further explain the findings extracted from the literature was enough motivation to carry out the empirical research. A shortfall relates to how the right measures should be determined, that is, must a top-down or bottom-up, or a combined process, be adopted during the development of an effective performance management system?

2.7. Conclusion

Organisational performance is on the radar screen of performance management and measurement practitioners and academic scholars alike. A collection of articles on measuring performance have been published in the Harvard Business Press and Cambridge University Press, and special issues of journals carrying such articles appear regularly in many other publications.

As in many emerging research areas, developments are rapid. Recent years have seen the development of frameworks such as the balanced scorecard, business excellence model, performance prism, and Intellectual Capital Navigator that was developed by Roos, Roos, Dragonetti and Edvinsson (1997), which took the business community by storm (Silk, 1998).

Academic research in the field of organisational performance management and measurement comes from a wide variety of different functions and disciplines, including accounting, economics, human resource management, marketing, operations management, psychology, and sociology. This is proven by the broad range of authors, papers, and disciplines contributing to this academic field. The analysis of literature reveals that distribution and contribution is heavily skewed, which indicates that only a few authors and a few concepts seriously influence this cross-functional field.

Many authors make contributions. These, however have little impact on the field as a whole. Kaplan and Norton are currently the dominating authors in the field. The balanced scorecard that they introduced is the dominating concept in the field of organisational performance management and measurement, but there appears to be

a significant lack of information about its theoretical foundation. The performance prism concept and more general work on performance measurement by Neely and others follows very closely behind the balanced scorecard.

This chapter has dealt with the historical background of organisational performance management and how it has developed over time. The importance of behavioural factors for the design, implementation, and use of performance management systems has been established. Its main objective was to build the theoretical foundation of the envisaged study by tracing the origin of performance management and measurement to its present position.

Lastly, there is a lack of a cohesive body of knowledge in the field of organisational performance management and measurement. The following chapter reviews the literature on the behavioural factors identified during the description of the theoretical foundation of organisational performance management systems. It will elaborate further on these variables to determine their influence on organisational performance.

The behavioural factors that have been identified will be aligned with the research questions posed in chapter one and, ultimately, hypotheses will be formulated, from which the study will be conducted to confirm or disprove them.

CHAPTER THREE

3. LITERATURE REVIEW

3.1. Introduction

This chapter covers a review of the literature on the behavioural factors identified during the description of the theoretical foundation of organisational performance management systems, implementation and use. It will elaborate further on these variables to determine their influence on the organisational performance.

The identified behavioural factors will be aligned with the research questions posed in chapter one and, ultimately, hypotheses will be formulated, from which the study will be conducted to confirm or disprove them.

3.2. The Importance of Organisational Behavioural Factors

The performance management system users might have an answer to the question asked earlier in 1.7. A common golden thread through the challenges discussed earlier in chapter one seems to be the manner in which managers view and use performance information and how they deal with other people in utilising this information. Authors, such as Holloway, Lewis, and Mallory, (1995) and later Ashton, (1997) argued that, at the heart of the challenges of performance management is the human element, which appears to be the cog around which success revolves. The argument was picked up by Vosselman, (1999); and later on by Martins, (2000); and Simons, (2000). Performance management systems cannot, therefore, be effectively developed without taking human behaviour into account. The successful implementation of performance management approaches depends on understanding and accommodating the human element in performance management.

Hartmann, (2000) and Vodosek & Sutcliffe, (2000) argued that personality factors are important determinants of management styles and attitudinal reactions to budgeting. The possible candidates for investigation are, therefore, personality variables related to individual preferences in respect of risk and uncertainty. It is, therefore, well worth exploring individual psychological responses to performance assessment and the nature of the systemic effects created by other formal and

informal management control processes, such as reward, planning, training, and information systems. This would require the alignment of individual and system analysis, as well as a consideration of psychology, organisational behaviour, behavioural accounting and systems theory research (De Waal, 2002).

It is unfortunate that there are very few concrete examples that can be cited in the literature of the importance of the human element to the use of performance management system. The reason for the lack of empirical research may be that many organisations are still using incorrect models of human behaviour, institutionalised in certain types of measures and measurement systems. These systems are a signal of competent management and are so widely diffused that companies are reluctant not to use them (De Waal, 2002). However, addressing these behavioural factors is crucial and beneficial for successful implementation and use of performance management systems.

3.3. Behavioural Factors Influencing the Effective Implementation of Organisational Performance Management Systems

3.3.1 Introduction

Chapter 2 traced the evolution of the performance management system, which covered the purpose, benefits, importance and challenges or barriers. An assessment of the need to identify behavioural factors that are important to the successful design, implementation and use of the system was also conducted.

Section 3.3 will identify and describe these behavioural factors and answer the research questions posed in section 1.2. The answers to these questions will also show how committed and involved managers are in the implementation and use of performance management systems.

The theoretical foundation revealed fourteen behavioural factors that block the monitoring and evaluation phase of the performance management system. This phase is where organisational performance information is processed before reports are published. This revelation led to the research question: what is the role of these behavioural factors in the implementation and use of organisational performance

management systems? This question serves as the basis for the research topic of this thesis.

According to Davis & Albright, (2004), later confirmed by Marr, 2004, an increasing number of private and public organisations are implementing performance management systems in order to achieve better organisational results in a changing and dynamic environment. Despite these positive endeavours, many organisations have difficulty implementing performance management systems (Franco & Bourne, 2003). Vosselman (1999) reported that, despite the increase in experience gained, there is still little known about the factors that influence the everyday use of performance management because research predominantly focussed on the technicalities of developing and implementing performance management and paid little attention to behavioural factors (Martins, 2000).

Holloway, Lewis, and Mallory (1995) argue that the successful implementation of a performance management system depends on understanding and accommodating the behavioural factors of performance management. Simons (2000) concurs by saying the problem is that, when designing and implementing a performance management system, companies are not taking into account human behaviour. Merchant and Van Stede (2003) argue that national culture has a direct effect on the design of a performance management system. It seems, therefore, that behavioural factors and culture need to be incorporated into the design and implementation of an effective performance management system.

In practice, for efficient and effective steering and control it is necessary that organisation members (managers and the managed) display performance-driven behaviour, which is defined as goal-oriented behaviour (Lippe & Salterio, 2000). The finding was supported by Martins, (2000). Research by De Waal, (2002 & 2003a) has shown that the combination of performance-driven behaviour and regular use of the performance management process leads to improved results. This result confirmed earlier findings by Ahn, (2001) and Sandt, Schaeffer & Webber, (2001). It can, therefore, be argued that it is necessary to determine which factors have a positive effect on performance-driven behaviour and regular use of the performance

management system. In this way, organisations can work purposefully towards improving these factors.

One problem for attaining consensus on the factors that facilitate the process of managing with performance measures was the broad range of approaches that different authors advocated. For instance, some authors focussed on specific aspects that arise during the design phase of the system, while others focussed on key issues of the implementation phase. Very few authors focussed on the overall use of organisational performance management systems. Another problem for identifying actual factors was the lack of empirical studies in the performance management literature.

From a review of the academic and practitioner literature, eight relevant studies were found. Three of these: (a) Lingle and Schiemann (1996); (b) Gates (1999); and (c) Maisel (2001) used a survey methodology for identifying the key factors related to the use of organisational performance management systems. The remaining five: (d) Kaplan and Norton (2001); (e) Johnston, Brignall and Fitzgerald (2002); (f) Ho and McKay (2002); (g) Beer and Eisenstat (2000) and (h) De Waal (2002) used case study methodology in their search for evidence of those factors that support the process of managing through measures.

The five researchers employed the case study research methodology to identify the behavioural factors that are the most important to the implementation of, and regular use of, the performance management system in certain Dutch and American companies. The research methodology has basically four limitations. These are:

1. Firstly, the research population is not necessarily representative of all organisations, as the study was carried out only in selected Dutch and American companies by individual researchers. South African companies or organisations (both private and public) were not considered;
2. Secondly, the study was conducted largely in the Netherlands and the United States of America and might not necessarily reflect the South African situation;

3. Thirdly, the respondents to the questionnaire may have rated their own organisations more favourably than an outsider would have done; and
4. Fourthly, there may well be other dimensions that influence performance-driven behaviour, which were not included in the design of Performance Management Analysis Questionnaire (PMAQ) and “Organisational Fitness Profiling (OFP).”

Beer and Eisenstat (2000) identified “six silent killers of strategy implementation” that need to be removed if companies want to be regarded as “strategy-focussed organisations”. Companies can become fast and agile only if the silent killers are met head-on and transformed into core capabilities.

Beer and Eisenstat (2000) conducted research for a decade, focussing on understanding the root causes of the difficulties that companies encounter when responding to shifts in competitive strategy. Using an inquiry and action-learning method they call “Organisational Fitness Profiling (OFP),” they enlisted a team of senior managers to serve as co-investigators. The process provided a window for understanding deep-rooted barriers that were common to an array of companies (Beer & Eisenstat, 1996).

The method started with the senior management of the company defining its strategy, from which they commissioned a task team of lower-level managers to collect data about perceived strengths as well as barriers to implementing the strategy. After the task team had completed training, it interviewed 100 people two or three levels below the senior management and some internal and external customers.

The senior managers and researchers received feedback from the task team, in a three-day meeting, and diagnosed the root causes of the problems and identified and developed a plan of action to change the organisation.

The strength of this research methodology is the rigour imbedded in the process. The researchers interviewed senior managers, and the task team interviewed staff members and customers; after the interviews, they reported to a joint meeting of all the role players for validation purposes.

The disadvantage of the action-learning research method is that it is too expensive. The cost involved in observing and interviewing participants in focus group meetings can escalate, depending on the number of these interactions. The weakness of the research method is that it is company specific and seeks to “tailor-make” solutions to identified company problems. The research findings, therefore, cannot be easily generalised to other companies or organisations.

The behavioural factors identified as critical for the effective implementation of performance management systems by the researchers are described hereunder in detail in an effort to answer the research questions:

Research Question No. 1: What is the role of leadership and management in the development and implementation of an effective organisational performance management system?

The following statements demonstrate the role that must be played by both managers and leaders in the development and implementation of an effective organisational development system:

3.3.1.1. Agreement on Strategy and Success Map

According to Lingle and Schiemann (1996), effective organisations are organic, integrated entities in which different units, functions and levels support the corporate strategy and one another. Beer and Eisenstat (2000) supported this finding by arguing that there is a need for a set of business-wide initiatives and new organisational roles and responsibilities to be defined that require “the right people to work together on the right things in the right way” to implement strategy. The senior management team should shift from functional silos overlaid with weak teams to a structure featuring strong cross-functional business teams accountable for performance. Beer and Eisenstat (2000) call this coordination across functions.

The authors argue that effective teamwork integrates activities around customers, products or services across diverse functions, localities and businesses. This suggests an organisation where those with the most relevant expertise and information would be able to come together rapidly, across levels and locations, in response to threats and opportunities to establish a team. Such individuals and

groups should have the authority and resources to make decisions and take action, where “a hierarchy of ideas replaces the hierarchy of position” (Beer, Eisenstat & Spector, 1990).

A strong point was made by Beer and Eisenstat (2000) when they found that teams created to enact strategies across several geographical regions could not coordinate their functions like research and development, manufacturing and marketing because of poor coordination of functions and activities. At the functional or operational level, the lack of cross functional systems blocked strategy implementation. This was the result of Chief Executive Officers buying into the structures consultants had recommended, but failing to recognise a gap that often appears between “knowing what to do and actually doing it” (Pfeffer & Sutton, 2000).

The requirements described above are combined into these behavioural factors:

1. Managers are willing to allocate resources quickly where they are most needed;
2. Managers establish project teams with people with the most relevant expertise and information.

3.3.1.2 Managerial Leadership Commitment

Beer and Eisenstat (2000) argue that an ineffective senior management team, top-down and or laissez-faire senior management approach and unclear strategy are all related. Their research revealed that the Chief Executive Officers and general managers they observed often bypassed members of the senior management team to get information from and give orders to staff members at lower levels – a sure-fire way to keep the leadership group from becoming an effective team.

Laissez-faire managers, on the other hand, undermine the team's potential by avoiding discussions that could cause conflicts or by not holding their subordinates accountable for coordinated decision-making. The authors report that it is a ‘red flag’ if a leader manages members of the senior management team on a one-on-one basis and limits team discussions to non-threatening administrative matters. According to Beer and Rodgers (1999), that kind of behaviour shows a reduction in

trust, effective strategy formulation, and, ultimately, organisational performance, particularly in uncertain and dynamic business environments.

The lack of a clear and compelling statement of strategic direction deprives many management groups of a rallying call that might help them coalesce as a team. Conversely, a team of managers unwilling to subordinate their individual functional interests to the overall needs of the organisation will never be able to develop a clear statement of priorities.

Effective corporate strategies are about making choices; deciding what not to do is as important as discussing what to do. The functional team leaders who form part of the senior management team each stand to gain or lose by the choices they make. An example that can be cited is when the senior management team decides to put more emphasis on decreasing the product cost, which may tip the balance of power towards manufacturing.

The authors recommend that the Chief Executive Officer or general manager, with the senior management team and staff members at the lower levels, should create a partnership built around the development of a compelling organisational direction, the creation of an enabling organisational context, and the delegation of authority to clearly accountable individuals and teams. The senior management team, as a collective, should be involved all the way in the change process so that its effectiveness is tested and developed. They should advocate direction but also learn from the feedback they receive from the bottom.

Implementing new strategies requires large-scale change (Kaplan & Norton, 2001), which Kotter (1996) described as transformation. From this he describes management as “a set of processes that can keep a complicated system of people and technology running smoothly”; and leadership as “a set of processes that creates organisations in the first place or adapts them to significantly changing circumstances.” In effect, this means that successful transformation needs leadership primarily, and, management to a lesser extent.

According to Kotter, (1996) the process of initiating transformation starts with a leader creating the sense of urgency for change. He argues that the urgency can

come from reversing recent underperformance, responding to a changing competitive environment, or stretching the organisation much further than it currently is. To be able to do that, organisations need to develop continuous performance improvement plans.

Launching major organisational change need not be done only out of fear. Effective leaders can also motivate change by providing inspiration about the future. President Mandela did that successfully both before and after the democratic election of 1994. President Mbeki delivered the same message when he declared “business unusual” for the 2008/09 financial year.

The statement “business unusual” revolutionised the entire public service to have the speed and agility of a small private enterprise. “Business unusual” means that people must get out of their comfort zones. It requires total organisational commitment to service delivery. Senior executive managers should energize even their currently successful departments for innovation and breakthrough performance by setting stretch targets that cannot be achieved by “business-as-usual” operations. The stretch targets take employees out of their complacent mind-set that current performance is both good and adequate.

The development of the performance management system is not only a technical issue. It is a change management process. Managers often resist the system because they do not understand the rationale behind its existence. It is, therefore, critical to create a support base for the performance management system during the development stage. These support systems that could include change management processes can convince management to accept and support the implementation of performance management, and the performance management system. The requirements described above are combined into the behavioural factors:

1. Managers understand the rationale behind the concept of performance management; and
2. Managers accept the need for performance management and support its development and implementation.

3.3.1.3 Alignment

Rapid change in the environment in which organisations operate forces them to adapt their strategies and business processes continuously (De Waal, 2002). These changes result in the review of the organisational performance management system, strategic objectives, priorities, and measures that are monitoring the implementation of the strategy. According to research, best practice organisations recognise the need to monitor and improve the performance management system on a continuous basis (American Productivity and Quality Centre, 1999). This review and alignment of the performance management system is part of the annual strategic planning process.

During the updating process, sufficient consensus has to be reached by all managers about the changes to be made in the performance management system to ensure total “buy-in”. If there is no review and alignment, the quality of performance management will decrease thereby losing its relevance to the managers, who might be tempted not to trust the system.

According to Beer and Eisenstat (2000), the senior management team should formulate the strategy as a group and spend a significant amount of time discussing it with staff members at lower levels. This will avoid the establishment of factions around conflicting strategies, which factions might tear the organisation apart.

Understanding the strategic direction helps to resolve differences of perspective and liberates the organisation to be purposeful and tenacious (Ho & McKay, 2002). Lower level staff members are better able to exercise independent judgement if they know where the company is going and why.

According to Kaplan and Norton (2001), organisations must link their high level scorecard, which was developed at the corporate level, down to decentralised organisational units to create alignment and synergy across the organisation. In this way, the Balanced Scorecard becomes a mechanism both to create strategic awareness and skills among unit managers and to align the strategies of the decentralised units with one another and with the organisation. The authors submit

that the scorecard developed at the corporate level becomes a template for the creation of strategies elsewhere in the organisation.

Each business unit develops its own scorecard in the light of its local situation (Kaplan, 1996). Measures at the individual business level do not have to add up to a corporate measure. The business unit managers choose local measures that would influence the measures on the corporate scorecard, but the measures are not necessarily a decomposition of the higher-level scorecard. In this process, the strategies of business units become aligned so that the cumulative impact of each unit performing well would be reinforced by the actions of all other units.

The alignment process requires the organisation to go through a major mental change or a paradigm shift. Traditional organisations use a hierarchical chain of command to direct corporate objectives downward so as to become sub-objectives for each business unit. This gives them little opportunity for integration or synergy (Kaplan & Norton, 2001). However, when business units develop their own Balanced Scorecards linked to the corporate scorecard, all units become aligned to common and reinforcing strategic themes (Ho & McKay, 2002). This notion was confirmed by Lingle and Schiemann (1996) by concluding their research by saying that “effective organisations are organic, integrated entities in which different units, functions and levels support the corporate strategy and one another.” Integration, which is known as “line of sight” is achieved through these common strategic themes. The requirements described above can be combined into the following behavioural factors:

1. Managers find the performance management systems relevant owing to regular evaluations;
2. Managers agree and support the use of performance information as a basis for strategic planning and implementation processes; and
3. All business units are aligned to common and reinforcing strategic themes and they develop their own Balanced Scorecards, linked to the corporate scorecard.

3.3.1.4. Involvement of Employees

According to Kaplan and Norton (2001:233), personal goals and objectives must be aligned with the organisational objectives for strategy to become alive and truly meaningful to employees. Individual employees need to be provided with a broad understanding of corporate and business unit strategy. It explains where they fit in to their organisation's strategy maps and how they can contribute to the achievement of the strategic objectives. They further argue that individual objectives established within the framework of the Balanced Scorecard should be cross functional, long term and strategic.

The goal of the framework is to establish a clear line of sight from employees at the "coal-face", who deliver services to customers on a daily basis at the team, the business unit, the component, the department and finally the corporate level. Employees have to understand how their jobs contribute to the overall business goals.

Business unit managers must conduct monthly business performance review meetings to develop and monitor strategic and cross-functional plans for continuous improvement. The strategic plan should include strategic goals, root-cause analysis for problem areas, identification of the team to implement the remedial action plan, and the time line for implementation. The supervisor or team leader of each operation should develop action plans aligned to the strategic plan. The action plan components or key performance areas become elements in the supervisors' quarterly performance reviews.

Research conducted at Charlotte City Council has shown that human resources systems that are designed to provide clear objectives for employees do not typically align to strategy (Kaplan, 1998). To overcome this challenge, the leadership team must explain the corporate strategic measures and how employees can influence them. They should ask the employees to use the measures to set priorities for their work and to stop doing work that does not relate directly to improving measures.

Kaplan and Norton (2001) argue that the strategic plan can come alive only when it links measures to specific employee development and change programmes. The

human resources department should define accountabilities, skills and knowledge, performance indicators and behavioural competencies. These requirements define the type of people the organisation wants and how they would make specific contributions to the strategic goals and objectives. The job family definitions and measures would identify training and development needs and serve to guide promotion and career-planning progression (Ulrich, 1998).

They further argue that when individuals can construct their own performance plans or scorecards, then the employee training and development processes have produced the clearest mechanism for aligning individual objectives to business unit and corporate objectives. The personal scorecards are now beginning to be used to integrate personal development goals and performance management to scorecard measures and results that are tied to compensation (Kaplan and Norton 2001).

Public sector organisations tend to build their resource allocation and control processes around programmes, as they are typically funded through authorised programmes. Programmes also provide the linkage from the activities of employees to the mission of the government department. The disadvantage of the practice is that programmes are so structured that individuals are not left with much of a role for innovation and cross-functional initiatives. They may not find ways to add value on objectives and measures outside the specific jobs and tasks assigned to them.

Companies have many ways of linking the behaviour of individual employees to business unit and corporate objectives. Homogeneous organisations whose outcomes are relatively easy to measure – such as financial institutions – can focus on relatively few measures, mostly in the financial and customer perspectives. With only a few measures, executives ask employees to be innovative and find new methods of achieving the desired organisational outcomes.

More complex organisations will share the expected outcomes and planned strategy with individual employees and allow them to define personal objectives which they can influence and which will have an impact on the organisational objectives. The structure becomes even more formal when the personal objectives are developed either through personal scorecards or integration with quality deployment and human resources development processes.

The requirements described above are combined into the behavioural factors:

1. Personal goals and objectives are aligned with organisational strategic objectives;
2. The employee training and development processes assist individual employees to construct their own performance plans and scorecards.

3.3.1.5. Management Style

An effective manager explicitly steers on results while simultaneously empowering employees to assist them in reaching the expected results (De Waal, 2004). De Waal (2004) submits that steering entails making clear performance agreements, continuously monitoring performance, discussing performance results and holding employees responsible. Support asks for a coaching management style that is aimed at enlarging the insight of people into possibilities for influencing their own results and at stimulating feelings of responsibility.

The author argues that the result of steering only is a directive management style that regards the importance of individual responsibility. However, when the management style is limited only to supporting and coaching, the result is lack of commitment and disorientation. The combination of results-oriented steering and coaching equals the style: "results-oriented coaching" (Schouten & Van Beer, 2000). To stimulate this management style, an organisation has to look at visible commitment, clear strategy and support.

According to Massello (1999), visible commitment means management using the performance management system in a clear and visible manner to guide staff members. It goes far beyond pronounced commitment. It is about exemplary management behaviour and conduct, which shows employees that the senior management team is genuinely committed. In a formal and practical context, managers show commitment by using performance information during management meetings wherein progress made, challenges experienced, and remedial action are discussed. In an informal context, managers show commitment by regularly expressing real interest in the advancement and development of employees and the progress made in implementing the remedial action plans and by investing time in

visibly obtaining good results. The exemplary role model of management is essential. When management continuously bases decisions on performance information, staff members are encouraged and motivated to improve the organisational performance.

To focus the attention of staff members completely on the desired performance results, forceful steering by management is necessary. Forceful steering is characterised by setting clear goals, drafting clear improvement plans, monitoring progress made in a disciplined manner, and swiftly formulating additional remedial actions when needed (Mastenbroek, 1997). Managers should not only confront employees about underperformance and their responsibility for the situation, but they should also notice and publicly acknowledge improvements made by employees.

While steering is primarily focussed on increasing accountability, support is aimed at stimulating a sense of responsibility of staff members (De Waal, 2004). De Waal (2004) further argues that imposing goals and targets developed by managers on employees, and blaming them for underperformance will not motivate them. It will, instead, increase resistance. He argues that this kind of management behaviour asks for a coaching style that is aimed at encouraging staff members to think about their opportunities for influencing performance results positively. This requires the involvement of staff members in the formulation of goals and targets that affect them. He concludes by suggesting that employees should think about their behaviours that may have caused certain performance results and how they could improve them. The requirements described above are combined into the behavioural factor: Employees are held accountable for identified measures, and organisational performance is continuously monitored and reviewed.

Research Question 2: To what extent does communication influence the behaviour of stakeholders towards the use of an organisational performance management system?

The following statements demonstrate the influence that communication has on the behaviour of stakeholders in the development and implementation of an effective organisational development system:

3.3.3.6. Communication and Reporting

Lingle and Schiemann (1996) argue that effective performance management requires optimal communication about the strategic direction of the organisation, the boundaries within which staff members are allowed to operate independently, the results to be achieved, the actual results achieved, and lessons learned. The statement was supported by De Waal (2002) and Ho and McKay (2002) who posited that communication and alignment are needed for staff members with the same frame of reference in respect of performance information so that everybody in the organisation interprets this information in the same manner. To stimulate communication, the organisation needs seriously to consider vertical and horizontal communication.

Kaplan and Norton (2001) argue that, if employees are to be motivated to assist the organisation to achieve its strategic objectives, everyone must understand the strategy of the organisation. To achieve this, the authors recommend that the Balanced Scorecard should be used to communicate strategic objectives to employees, and not merely to command them about what to do. They argue that for organisational strategy to succeed, management would have to make everyone aware of the strategy and accountable for its success. That is why there is a need for signing performance agreements with employees. The scorecard provides a bridge to translate the corporate strategy into operational plans at the “coalface” where strategy must be effectively implemented.

According to De Waal (2004), top-down communication consists of “feed forward” and “feedback” sub-elements. During the feed forward, top management sets a clear common direction for the organisation by communicating the strategy, priorities and results to be achieved. In this way, staff members know which way the organisation will go and whether they can experience a sense of belonging or not. During feedback, top management gives a clear picture to all staff members of the overall consolidated performance results of the organisation and all the individual departments, components or units (Economic Intelligence Unit, 1994). As a result, staff members know the situation in which their organisation is, which can increase their commitment to it.

Bottom up communication also consists of “feed forward” and “feedback” sub-elements (De Waal, 2002). During feed forward, lower level staff members structurally provide top management with planning information to enable them to base its strategy on a strong foundation. De Waal (2004) argues that incorporating the lower level information in the strategy formulation processes increases the support base for the strategy. During feedback, lower level staff members structurally provide top management with information on the results they have achieved, “so a clear picture of the organisational performance emerges”.

According to Beer & Eisenstat, (2000), vertical communication requires a well-designed communication structure, which is aligned with the existing consultative forums to ensure that no inefficient overlaps occur. De Waal, 2004 expanded the argument by reporting that an important precondition for effective communication is a positive culture that is not aimed at punishing bad performance results but at continuous improvement and learning. In such a culture, staff members are confronted with their performance results in a positive manner aimed at discussing possible remedial actions to improve these results. Johnston, Brignall and Fitzgerald (2002) confirm the argument by reporting that “it is evident that performance measurement was focussed on management action, in particular driving improvement and facilitating organisational learning”.

De Waal (2004) further argues that regular horizontal exchange of information between organisational units or components leads to increased insight into the overall performance of the organisation and the role these units or components play in reaching these results. Furthermore, exchanging information about challenges, solutions, best practices, and lessons learned stimulates the overall quality of the organisation and fosters performance-driven behaviour. According to Choo (2000) and Senge (1994) this kind of organisational culture that stimulates information exchange and rewards is needed.

The organisation should use a comprehensive and continuous communication process, based on the Balanced Scorecard, to ensure that everyone understand the strategy (Lingle & Schiemann, 1996). The statement is also supported by other authors such as Beer & Eisenstat, (2000); Gates, (1999); Kaplan & Norton, (2001)

and Maisel, (2000). The process should start with the executive leadership team visiting all work stations to explain the strategy to employees in simple terms. This will assist the organisation in avoiding the natural scepticism and cynicism among jaded employees that yet another new corporate initiative has been launched. The requirements described above are combined into the behavioural factors:

1. Managers are encouraged and motivated to improve their performance continuously;
2. The aspirations, concerns and fears of staff members are taken into consideration during the strategic planning process;
3. Staff members are confronted with their performance results in a positive manner aimed at discussing possible remedial actions to improve these results; and
4. Exchanging information about challenges, solutions, best practices and lessons learned stimulates the overall quality of the organisation and fosters performance-driven behaviour.

According to Beer and Eisenstat (2002), the lack of strategic consensus and clarity undermines effective upward communication. Employees, unsure of where the company is supposed to be going, cannot help to get it there, nor can they warn those at higher levels when the engine is “skipping the track”.

Ho and McKay (2002) agree with this argument by saying that the discussion of strategy with all employees will open vertical and horizontal communication, which will allow employees, as individuals who recognise challenges, to engage senior management in an honest, open and candid discussion without fear of victimisation and reprisal.

A lack of communication forces employees at the lower levels of the organisation to consider it to be better to keep their observations to themselves immediately they suspect that senior managers prefer to avoid potentially threatening and embarrassing issues with them. This, in turn, increases cynicism.

Lingle and Schiemann (1996) suggest that an honest, fact-based dialogue should be established with staff members at the lower levels about the new strategy and the barriers to implementing it.

Beer and Eisenstat (2000) further argue that, if those charged with strategy implementation cannot tell senior managers about problems, their company has no early warning system. Only after programmes fail can remedial action be taken. Even then, most remedial actions focus on programme content, and not on the root causes of strategy implementation (Lingle & Schiemann, 1996). New goals, resources, technical programmes and staff members will not solve the root problems. Lower level staff members become cynical. They realise that their inability to communicate openly and directly with the leadership and management teams about their role in blocking strategy implementation makes it highly unlikely that problems will be corrected. Frustrated, they adopt a passive stance. Lost is the commitment of employees to do everything in their power to make their organisation successful.

An open communication structure is important to convey the reasons for the performance management system implementation. The performance results should be freely available to everybody in the organisation. This practice helps to inform people in the organisation about their performance and the overall performance results of the organisation. This increases belief and trust in the system and builds team spirit. The requirements described above are combined into the behavioural factor: Organisational performance results are frankly and openly communicated with all stakeholders.

Research Question 3: What effect does organisational culture have on the implementation and use of the municipal organisational performance management system?

The following statements demonstrate the effect that organisational culture has on the development and implementation of an effective organisational development system:

3.3.1.7 Organisational Culture

According to Lingle and Schiemann (1996), a number of mechanisms, like team work, are at play in every organisation. These help to provide a set of collective attitudes and behaviours that either sustain or impair competitiveness. They found that successful companies reported stronger teamwork and cooperation among managers than unsuccessful ones (Table 2.1 refers).

Teamwork and cooperation are the results of the frequent and regular use of the performance management system, which requires alignment between organisational culture and the culture that is needed to practise performance management (De Waal, 2002). This performance culture has to be based solely on continuous performance improvement, innovation and organisational learning. Punishment should not be part of the equation (Johnston, Brignall, & Fitzgerald, 2002).

This improvement culture, in which mistakes are seen as sources of improvement and not as causes for punishment, can be characterised as a culture in which there are cordial relations between management and employees, teamwork, absence of paternal role patterns, long-term strategic focus, and a degree of tolerance for ambiguity (Hofstede, 1984).

This culture motivates managers to use the performance information and results as a basis for remedial and improvement planning. According to De Waal (2002), if an organisation uses the performance management system solely for accountability and punishment purposes, managers will be encouraged to manipulate the performance results without necessarily solving the root causes of under-performance. The requirements described above are combined to form the behavioural factor: Managers are encouraged to improve their performance continuously.

3.3.1.8. Monitoring and Evaluation

According to Euske, Lebas and McNair (1993), the effectiveness of a performance management system is determined by the degree to which staff members actually feel responsible for the results and their willingness to use the system to obtain performance information, which may help to improve the results. De Waal (2004) later found that a non-committal organisational culture is a real threat to the desired

performance-orientation of an organisation, which confirmed the finding of Euske, Lebas and McNair, (1993). The degree to which one feels responsible is expressly different from the degree in which one is made responsible. To stimulate feelings of responsibility, an organisation has to look at two main elements, these are, the relevance of controls and the possibility of influence.

The degree to which organisational staff members feel responsible for their results is connected to the relevance of the performance indicators that measure their responsibility area (De Waal, 2004). The more relevant these indicators are according to the staff members, the stronger the stimulus will be for them to engage themselves. For example, a supply chain manager will generally not be stimulated to take remedial action when the overall municipal organisational performance results are lagging. However, when he/she is made aware that the unnecessary delays in the supply chain processes cause the organisational underperformance, he/she will be strongly motivated to take responsibility and improve the procurement processes, which might in turn improve the results. This shows that the defined critical success factors and key performance indicators have to be evaluated regularly in respect to their relevance for control purposes. That is, do they still give an accurate picture of the performance of an employee's responsibility area and its link with overall organisational performance? After all, because of the dynamic nature of the environment in which municipalities operate, there may have been many internal and external changes since the indicators were originally formulated, and the content of the performance information may, thus, no longer be representative.

Taking responsibility for results requires that individual staff members are given the opportunity to influence their results favourably (Samson & Challis, 1999). This implies that employees have to be empowered by their managers to take independent and swift corrective action when unintended results occur, without having to request permission to do so. It also makes it imperative for individual staff members to be involved in defining the right performance indicators for their responsibility areas (Vosselman, 1999). The requirements described above are combined into the behavioural factors:

1. Employees are involved in the development of measures and, therefore, understand them;
2. Employees are empowered to make decisions, take risks and develop and manage performance improvement plans.

3.3.1.9 Review and Update

Action orientation is the degree to which performance information actually stimulates decision making to improve performance (Pfeffer & Sutton, 2000). Action orientation is a good predictor of the effectiveness with which performance management is being applied. After all, if performance information does not lead to action, the added value of this information will be zero. To take action on performance information, organisations have to look at integration, remedial action management, and preventative action management.

According to De Waal (2004), integration is the degree to which performance information is integrated into daily operational management. When there is good integration, performance information is regarded by staff members as crucial for their ability to perform their functions effectively. This means that performance information is the main basis for decision-making, and management reports should contain actual performance against set indicators, analysis and action reports, and these should always be discussed during management meetings and strategic review sessions (Davenport, 2000).

Remedial action management entails staff members taking immediate action on underperformance in order to influence results positively. This requires consistent, continuous and transparent reporting on organisational performance, regular monitoring of progress made, and continuous analysis to find opportunities to improve performance. It has to be clear to staff members, which remedial actions are to be taken, and by whom. Finally, a consistent evaluation has to be made of the results of the remedial actions.

Preventative action management requires staff members to take preventative action on “unfavourable prognosis in order to prevent problems from actually occurring” (Rigas & Fan, 2000). An important tool in this respect is the rolling forecast, which

looks four to six quarters ahead at expected results (De Waal, 2004). As is the case with remedial action management, staff members need clear insight into which preventative actions have to be taken and who is responsible for these actions. The results of the preventative actions also have to be evaluated. By having management reports containing actual performance information against set indicators, analysis and action reports at their disposal, staff members are abreast of progress and results of the preventative actions. Discussions of the rolling forecasts do not focus on the reasons for expected lagging results but, rather, on the quality of the prognosis and preventative actions and whether additional action-taking is needed.

The requirements described above are combined into the behavioural factor: Managers constantly discuss and take concrete decisions about performance results.

3.3.1.10. Middle Management Development and Leadership Skills

Middle managers from different functions or units cannot be expected to collaborate effectively when their leaders are pushing them in competing directions. They are not going to risk rejection by their own bosses and peers. As an example, most municipalities that are dysfunctional have allowed political or personal differences at the political (either council or party) level to filter through the administrative structures to the lower levels of staff members.

Understanding the organisational strategic direction helps resolve differences of perspective and liberates the organisation to be purposeful and tenacious. Lower level managers are better able to exercise independent judgement if they know where the organisation is going and why. Otherwise, if an unexpected event occurs, their only recourse is to follow the rules or ask the boss, and the boss might well be as confused about the strategy as they are. If the Municipal Manager or the Mayor is the only person who knows the direction, all major decisions must be made at the top, which leads to inadequate leadership development.

Beer and Eisenstat (2000) argue that senior managers who exercise top-down management fail to provide the opportunity for leadership development. Yet those

same managers are often surprised to find a shortage of people to run cross-functional programmes. Senior managers point to the scarcity of management talent and conclude that lower level managers cannot handle increased responsibility.

According to Beer and Eisenstat (2000), middle managers with the potential to develop leadership skills and a general management perspective should be given clear accountability and authority. To develop such capabilities, hierarchical organisational structures must be managed in a non-authoritarian manner. Senior managers must use their authority both to set direction and to delegate authority to clearly accountable teams (Beer, Eisenstat & Spector, 1990). The dual approach requires lots of open communication about difficulties, including difficulties traceable to those in authority. The practice will assist middle managers to develop skills through newly-created opportunities to lead change and to drive key organisational initiatives. They must be supported with “just-in-time” coaching, training and targeted recruitment.

The authors concluded by reporting that employees in their sample population agree that the overall problem was rooted in fundamental management issues of leadership, teamwork and strategic direction, not in the commitment of people or their functional competence (Hambrich, 1995). They argue that successful strategy implementation and performance management need more than a leader; they require teamwork from a leadership group that, through dialogue and collaboration, stays connected to the knowledge embedded in middle management (Eisenhardt, Kahwajy & Bourgeois, 1999). The requirements described above are combined into the behavioural factor: Middle managers are given clear accountability and authority to make decisions and take risks.

Research Question 4: What is the relationship between knowledge (explicit and tacit) of senior managers and the development, implementation and use of a municipal organisational performance management system?

The following statements demonstrate the impact that knowledge (both tacit and explicit) has on the development and implementation of an effective organisational development system:

3.3.1.11. Knowledge Link

There is a strong body of knowledge and opinions in both psychology and accounting, which suggests that performance measures are likely to have a stronger impact on individual employee's reactions and subsequent behaviour if indicators are used to evaluate the individual employee's performance (De Waal, 2002). It is, therefore, most likely that employees will be motivated to respond positively to feedback on performance results if they are evaluated on the measures.

For this reason, the implementation of a performance management system has to be supported by the leaders and managers who have adequate knowledge and experience (De Waal, 2002). Lingle and Schiemann (1996) concurred with this line of thinking by arguing that the balanced set of performance measures tells a concise yet complete story about the achievement and performance of the organisation towards its goals and provides a holistic view of what is happening in the organisation. Competent leaders and managers will develop performance measures that will motivate employees or workers to do what is best for the organisation as a whole (Ho & McKay 2002). The knowledge (skills and experience) will positively reinforce the desired employee behaviour. Consequently, the performance management system and the knowledge management system must be aligned, to ensure that employees are adequately skilled to produce the expected results on the measures. Knowledge functions as an incentive for employees to use the performance management system (De Waal, 2002). The requirements described above are combined into the behavioural factors:

1. Knowledge (skills and experience) encourages employees to accept and use the performance management system; and
2. The organisational performance management system is aligned to the knowledge management system.

3.3.1.12. Clear Strategy and Priorities.

Beer (1980) and Venkatraman and Camillus (1984) agree that companies have long known that, to be competitive, they must develop a good strategy and, then, appropriately realign structure, systems, leadership behaviour, human resource

policies, culture, values, and management processes. This report was later confirmed by other researchers like Lingle and Schiemann, (1996); Maisel, (2001); Kaplan and Norton, (2001); and Johnston et al, (2002) by highlighting the importance of the use of structured approaches to performance measurement that include financial and non-financial issues.

Beer and Eisenstat (2000) believe that it is easier said than done. They argue that, between the ideal of strategic alignment and the reality of implementation lie many landmines. They report that senior managers “get lulled into believing that a well-conceived strategy communicated to the organisation equals implementation”. They, therefore, approach change in a myopic, narrow, non-systemic and programmatic manner that does not address root causes.

They argue that the sooner management realises that perfectly sound strategies are not easily implemented, the sooner they will realise that good intentions embodied in a new structure are not sufficient to change organisational behaviour (Beer, Eisenstat & Spector, 1990; Beer & Williamson, 1991).

Osborne and Plastrik (1997) and De Waal (2002) hold an opposing view, namely, that the strategy of an organisation can be operationalised and made tangible by defining critical success factors and key performance indicators. This is because the strategy determines the long-term goals of the organisation, and these measures inculcate and encourage long-term performance planning. In addition, by continuously using these measures, managers are better positioned to monitor the organisational performance, which, in turn has a motivational effect on them.

Lingle and Schiemann (1996) agree with this by arguing that the act of translating vision or strategy into measurable objectives forces specificity. It helps to surface and resolve those hidden disagreements that often get buried when the strategy remains abstract, only to return at some later date to haunt an organisation.

All these authors agree that, for this to happen, there must be sufficient consensus among managers about the strategy, which must be translated into operational plans and tangible performance results. The requirements described above are combined

into the behavioural factor: Managers and employees know and understand the relationship between strategy and measures.

3.3.1.13 Budget Link

According to Kaplan and Norton (2001), it is critical to align the budget to the corporate strategy if the organisation intends to focus on the implementation of its strategy. They report that more than half of the companies they surveyed used the budgets as their primary management system for setting targets, allocating resources, and reviewing performance. The negative side of this practice of using budgets as primary means of exercising control in organisations, which is myopic, is that management is forced to focus on short-term financial gains.

This limitation of management by the budget was made apparent when Jack Welch said “making a budget is an exercise in minimalization.” Bob Lutz also supported the sentiment when he declared that “budgets are tools of repression, rather than innovation” (in Kaplan & Norton, 2001). The argument by these leaders missed the fact a budget is a management tool that is meant to guide the behaviour of individuals within organisations, not to control them.

The authors argue that with strategy being critical for organisational success, the Balanced Scorecard has emerged as a new system of managing strategy instead of the budget. The Performance Prism has since emerged as an improved scorecard or performance framework that can also be used for this purpose. An example that can be cited is the municipal integrated development plan that is formulated after identifying community needs. This is a five-year strategic plan that informs the municipal budgetary processes for this period. This has yet to happen in the practical sense; perhaps because the disciplines and cultures associated with the alignment of strategic planning and budgeting for operations still need to be inculcated in the public service.

The alignment promotes and stimulates learning, problem-solving, decision-making and adaptation rather than controlling and maintaining performance on a trajectory established during the budgetary process (Kaplan & Cooper, 1997). The requirements described above are combined into the behavioural factor: Managers

understand that their actions have financial implications that might impact on the corporate strategy.

Research Question 5: How does an aligned and balanced strategic framework affect the morale of employees with regard to the use of the municipal organisational performance management system?

The following statement demonstrates how an aligned and balanced strategic framework affects the development and implementation of an effective organisational development system:

3.3.1.14 Data Processing and Information Technology Infrastructure Support

Recent developments in the area of information technology are one of the reasons why performance management and the Balanced Scorecard experienced a breakthrough. Ho and McKay (2002) report that timely feedback is critical when organisations try to encourage and reinforce employee performance behaviour. Feedback can be possible only once performance information has been collected continuously electronically during the month, quarter or year. To manage the expected information effectively requires that the data collection and reporting processes be aligned to the logic of the performance management system framework. It also requires the components of the information technology to be appropriately configured and managed to create an integrated performance management system.

The requirements described above are combined into the behavioural factor: The components of the information management technology are configured and managed to create an integrated municipal organisational performance management system.

3.4 Developing Hypotheses

3.4.1. Introduction

In order to answer the question: what is the role of these behavioural factors in the creation and use of organisational performance management systems? the identified

behavioural factors have to be made operational. This can be possible only when the factors are converted into categories that can be analysed.

The Statistical Analysis Systems (SAS, 1988) of the North West University's Statistics Department was used to group the fourteen behavioural factors into eight variables as illustrated in Table 3.1 below.

Table 3.1: Alignment of Variables to Behavioural Factors.

Research Question	Latent Variable.	Behavioural Factor.
What is the role of leadership and management in the development and implementation of an effective organisational performance management system?	Managerial Leadership. LV1	Management and Leadership Commitment.
		Involvement of Employees.
		Management Style.
		Agreement on Strategy and Success Map.
	Accountability & Action. LV2	Alignment Review and Update Knowledge Link
To what extent does communication influence the behaviour of stakeholders towards the use of an organisational performance management system?	3. Communication. LV5	Communication and Reporting
What effect does organisational culture have on the implementation and use of the municipal organisational	4 Organisational Culture LV4	Organisational Culture
		Monitoring and Evaluation.
		Middle Management Development and Leadership Skills.

performance management system?		Review and Update
What is the relationship between the compensation packages of senior municipal managers and the implementation and use of a municipal organisational performance management system?	Balanced Strategic Performance Framework. LV3	Budget Link:
		Clear Strategy and Priorities
How does an aligned and balanced strategic framework affect the morale of employees with regard to the use of the municipal organisational performance management system?	Managerial Leadership LV1	Data Processes and Information Technology Support
		Management Support Systems

Table 3.2.: How the Performance Variables Interact

Category.	Performance Driver (Variable)
Quality of Direction.	Managerial Leadership (LV1).
Quality of Learning.	Accountability and Action (LV2).
Quality of Implementation.	Balanced Strategic Performance Framework (LV3).
	Organisational Culture (LV4).
	Communication (LV5).

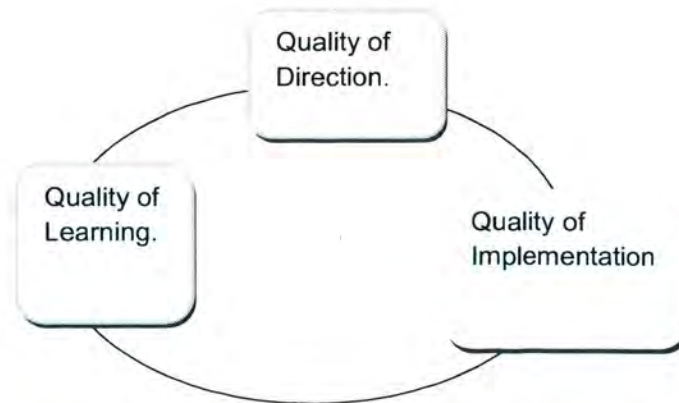


Figure 3.1: The Circle of Behavioural Factors that Block the Implementation of Performance Management Systems. Adapted from Beer and Eisenstat (2000).

Individually, any of the fourteen behavioural factors can block the successful implementation of performance management. Taken together, they can create a powerful circle from which it is difficult to escape (Beer & Eisenstat, 2000). To explain their interaction, they are grouped into three categories. These are: quality of direction, quality of learning and quality of implementation.

3.4.2. Quality of Direction

Clear strategy and priorities, management leadership and commitment, management style, and alignment are all related. The responsibility of the top management team is to ensure that the strategic direction of the organisation is clear to all stakeholders. The priorities, strategic goals and objectives have to be communicated to all employees in unambiguous terms. A clear and compelling statement of direction gives top management a common rallying cry that might help them coalesce as a team.

Managerial leadership commitment should be reflected in the management style of the senior management team. Discussions in management meetings should revolve around preventative action, performance results and remedial actions to improve decision-making processes. This practice encourages continuous frank and open communication and accountability.

Pursuant to the description of the quality of direction classification, the following hypotheses can be formulated:

Latent Variable No. 1: Managerial Leadership (LV1)

Hypothesis H1 = Committed management and leadership influence organisational Performance Management System positively; (F1)

H2 = The failure of management to take decisive decisions impacts negatively on the effectiveness of the Organisational Performance Management System. (F2)

H3 = A manager's use of a performance management system influences the level of innovation favourably. (F3)

3.4.3. Quality of Learning

According to Beer and Eisenstat (2000), blocked vertical communication has a "particularly pernicious effect" on the ability of the organisation to implement and refine its strategy. Floyd and Woolridge (1992) found that many strategic planning documents go into great detail on long-term technology trends, customer buying behaviour and the competitive environment, but they fail to communicate downwards a coherent story showing why the changing world outside the organisation demands new ways of working together, which confirmed Beer and Eisenstat's (2000) argument. Employees are never informed about how the strategy affects priorities, nor do they receive any guidelines showing the relative priorities of projects. The result of this practice is that the activities of employees are not aligned to overall organisational strategy.

Lack of strategic consensus and clarity undermines effective upward communication, too. Employees, unsure of where the organisation is supposed to be going, cannot help get it there, nor can they warn those at higher levels when unexpected results occur. A top down management style is often the main barrier to honest upward communication and organisational learning.

If those charged with implementation are unable to inform senior managers about unintended results, an organisation has no early warning system. Only after programmes fail can remedial action be taken. Even then, most remedial actions focus on programme content and not on the human element or behavioural factors.

New strategic goals, resources, technical programmes and staff will not remove the root causes of underperformance. As the vicious circle persists, lower level employees become cynical. They come to realise that their inability to communicate openly and directly with the leadership team about its role in blocking strategy implementation makes it highly unlikely that undesired results are corrected. Frustrated, they adopt a passive stance. Lost is their interest and power to make their organisation successful.

Pursuant to the description of the quality of learning classification, the following hypothesis can be formulated:

Latent Variable No. 2: Accountability & Action. (LV2)

Hypothesis H4 = Continuous performance reviews positively affect the overall organisational performance of the municipality. (F6).

3.4.4. Quality of Implementation

The behavioural factors associated with senior management make it very difficult to develop much-needed coordination at lower levels or develop much-needed “down-the-line leadership capabilities” (Beer & Eisenstat, 2000). Middle managers from different functions or business units cannot be expected to collaborate effectively when their leaders are pushing them in competing directions. They will not risk rejection by their own managers and peers.

The culture of working in separate fiefdoms affects decision-making on resource allocation, budgeting, and reward and compensation, which leads to employee dissatisfaction and the abdication of responsibility. Understanding the organisational strategic direction helps resolve differences of perspective and liberates the organisation to be purposeful and tenacious. Lower level managers are better able to exercise independent judgement if they know and understand where the organisation is headed and why.

Pursuant to the description of the quality of implementation classification, the following hypotheses can be formulated:

Latent Variable No.3: Balanced Strategic Performance Framework (LV3).

Hypothesis H5 = An integrated information management system has a positive effect on the decision making processes. (F3).

Latent Variable No. 4: Organisational Culture LV4

Hypothesis H6 = The experience, biographical or sexual orientation of a manager does not affect the use of an organisational performance management system. (F8).

H7 = The effective use of performance information by management motivates employees positively. (F4).

H8 = The lack of accountability causes unintended performance consequences (underperformance). (F4).

Latent Variable No. 5: Communication (LV5)

H9 = A lack of transparency about the organisational performance impacts negatively on vertical and horizontal communication. (F8).

The abovementioned hypotheses are, therefore, aligned to the research questions and latent variables as depicted by Table 3.3 as follows:

Table 3.3: The Relationship between Hypotheses, Research Questions and Latent Variables.

No.	Hypothesis	Research Question	Variable
H1	Committed management and leadership influence organisational Performance Management System positively. (F1).	What is the role of leadership and management in the development and implementation of an effective organisational performance management system?	Managerial Leadership. LV1
H2	The failure of management to take decisive decisions impacts negatively on the effectiveness of the Organisational Performance Management System. (F2)		
H3	A manager's use of a performance management system influences the level of		

	innovation favourably. (F3)		
H4	Continuous performance reviews positively affect the overall organisational performance of the municipality. (F6) .		Accountability and Action LV2 .
H5	The effective use of performance information by management motivates employees positively. (F4) .	To what extent does communication influence the behaviour of stakeholders towards the use of an organisational performance management system?	Communication LV5 .
H6	The lack of accountability causes unintended performance consequences (underperformance). (F4)	What effect does organisational culture have on the implementation and use of the municipal organisational performance management system?	Organisational Culture. LV4
H7	An integrated information management system has a positive effect on the decision making processes. (F3)	What is the relationship between the knowledge of senior municipal managers and the implementation and use of a municipal organisational performance management system?	Balanced Strategic Performance Framework. LV3
H8	The experience or biographical orientation of a manager does not affect the use of an	How does an aligned and balanced	Organisational

	organisational performance management system. (F8) .	strategic framework affect the morale of employees in the use of the municipal organisational performance management system?	Culture. LV4
H9	The lack of transparency about the organisational performance impacts negatively on vertical and horizontal communication. (F8) .	To what extent does communication influence the behaviour of stakeholders towards the use of an organisational performance management system?	Communication. LV5

3.5. Summary and Conclusions

Chapter three has dealt with the literature review on the behavioural factors identified during the description of the theoretical foundation of organisational performance management systems, implementation and use. It has also elaborated further on these factors to determine their influence on the organisational performance.

The theoretical study indicates that academic research in the field of organisational performance management and measurement comes from a wide variety of different functions and disciplines, depending on the background of the researcher. These include accounting, economics, human resource management, marketing, operations management, psychology, and sociology. This is demonstrated by the broad range of authors, papers, and disciplines contributing to this academic field. The analysis of the literature revealed that the distribution and contribution to the body of knowledge is heavily skewed, which indicates that only a few authors and a few concepts seriously influence this cross- functional field.

Authors like Marr (2004) have argued that an increasing number of private and public organisations are implementing performance management systems in order to achieve better organisational results in a changing and dynamic environment. Franco and Bourne (2003) found that, despite these positive endeavours, many of these organisations have difficulty in implementing performance management systems. It was further found that, researchers were focused on the technicalities of developing and implementing performance management and paying little attention to the behavioural factors. This practice resulted in a situation where the knowledge and understanding of the behavioural factors that influence the development and implementation of organisational performance management systems is found to be inadequate.

There are very few examples that can be cited in the literature on the importance of the human element regarding the use of a performance management system. Only seven studies on the impact of behavioural factors on the implementation and use of organisational performance management systems were found. The authors argued that performance management systems cannot be effectively developed without taking human behaviour into account. It can, therefore, be concluded that, the understanding and, accommodation of the human element in the development and implementation of a performance management system, plays a critical role in the effectiveness of the system and the improvement of organisational results.

Several behavioural factors were identified after a closer examination of the results of the seven studies. The researchers agree that these factors have an impact, whether positive or negative, on the development and implementation of the organisational performance management.

It was found that, individually, any of the behavioural factors can block the successful implementation of performance management, but taken together, they can create a powerful circle from which it is difficult to escape (Beer & Eisenstat, 2000). To explain their interaction, they were grouped into three categories. These are: quality of direction, quality of learning and quality of implementation. These categories will be used as building blocks for the normative model (see section 5.7 for further details).

The section will focus on the parameters of the structural models as a means to verify the causal relationships included in the hypotheses. This section will also deal with the research hypotheses posited in this chapter. Firstly, the impact of the leadership on the strategic direction of the municipality will be analysed. Secondly, the influence of the “Quality of Implementation” on the organisational performance will be examined, by analysing the direct effect of horizontal and vertical communication measures of organisational performance, performance culture, and the municipality, having a clear and balanced performance framework. Lastly, it will be determined whether municipalities do analyse their performance reports to improve their “Quality of Learning”.

It was argued in this chapter that management and leadership are determinants of organisational PMS implementation and use. Management shapes the nature of the relationship between PMS implementation and employee behaviour and therefore, it may enhance organisational performance. The discussion provided in this chapter led to the formulation of several hypotheses that established causal relationships between the components of the organisational PMS Framework and certain behavioural factors.

The identified behavioural factors have been aligned to the research questions posed in chapter one and, hypotheses have been formulated. The next chapter will describe the research design processes that will be followed in the quest to explain the actual role played by the identified behavioural factors in the effective implementation of municipal organisational performance management.

CHAPTER FOUR

4. RESEARCH DESIGN AND METHODOLOGY

4.1. Introduction

Having defined the research hypotheses in the previous chapter, the design of the empirical research that will be used to collect data about the relevant variables is introduced in this chapter. According to Sapsford and Jupp (1996:xx), design issues are bound up with how data is collected and analysed, covering questions such as selection of statistical techniques, design of questionnaires or the determination of information sources.

This study is quantitative, as data has been collected through self-administered questionnaires from municipal councillors and senior managers. The rationale behind the criteria to select municipalities for participation in the study was discussed in the first section of chapter one, while the appropriateness of the selected unit of analysis for the purposes of the research is also reviewed. In addition, the data collection methodology followed to obtain information from respondents in these municipalities is also described.

Moreover, the design of the questionnaires requires items that measure the theoretical constructs of interest to be defined. The second section deals with this question by discussing the selection measurement scales for the theoretical concepts included in the hypotheses.

Finally, the third section specifies the statistical procedure that has been used to analyse data in order to draw conclusions about the causal relationships between the variables. This is where the suitability and benefits of the Structural Equation Model (SEM) for the study are justified. Specific Structural Equation Modelling (SEM) techniques and models necessary to test the research hypotheses are also reviewed here.

This chapter covers the research design processes that will be followed in the quest to explain the actual role played by the identified behavioural factors in the effective implementation of municipal organisational performance management. It deals with

the research method that will be followed, the research sample that has been selected, and how data will be collected and analysed.

4.2. Research Method

This research is designed as a formal case study because it aims to answer the research questions posed under section 1.2 and, to test the organisational performance management hypotheses outlined in chapter 3 (Cooper & Schindler, 2003:146).

The method of study is primarily quantitative in nature with qualitative techniques used to enhance the quality of data collection and validate the available data. This option is considered because there is limited secondary data on the effects of behavioural factors and organisational culture on the effectiveness of performance management systems in South Africa.

The research design comprises a formal study of secondary data in an *ex post facto* manner to provide a qualitative descriptive solution to the proposed research problem (Cooper & Schindler 2003:149). There is no formal control over the variables in the sense of being able to manipulate them. The factors are held constant by the judicious selection of subjects according to strict sampling procedures and by statistical manipulation of findings.

Triangulation will be used as a way of demonstrating reliability and validity in this research project. This means that different techniques of data collection, like participant observation, and a review of departmental records, will also be used in addition to the questionnaire that will be distributed as a way of gaining different insights into the management dilemma.

4.3 Purpose of the Study

Municipalities have been run according to bureaucratic principles, as part of the public service machinery. Performance management in municipalities is regarded as a new phenomenon that must first be validated by a literature study on organisational performance management generally and particularly in the public service. The aim and importance of the literature section is to collect from the

organisational performance management literature those principles, concepts, and constructs that can be refined, developed and experimentally applied to municipalities to enhance their organisational culture and internal capacity to find solutions to service delivery challenges with which they are faced.

The empirical study section seeks to answer the questions of “what, when, where, who, or how much” of organisational performance management in municipalities. It is aimed at measuring selected behavioural factors or constructs and demonstrating statistically significant relationships between such behavioural factors and the actual performance of municipalities. This aspect of the study is, therefore, descriptive in nature (Cooper & Schindler, 2003: 149).

Furthermore, the study has resulted in interventions by the researcher beyond those required for measurement. The interventions were made at the PMS Unit in the Department of Local Government and Housing and were in the form of a change management programme that included, among other things, business communication, leadership, and performance management systems development and implementation. The training in organisational performance management systems was designed to manipulate the following behavioural factors or constructs as independent variables: strategic leadership direction; business communication; and decision making and coordination. It was, then, observed how the intervention was affected by the perceptions and practices of municipal councillors, managers and staff on organisational performance management as dependent variables.

This research approach follows prior research that has examined the determinants of organisational performance management by uncovering those variables that enhanced the willingness of the municipality to be excellent in service delivery (De Waal, 2001).

The extent of the existence of statistically significant relationships between perceptions of stratification groups of municipal public servants and between performance management training and performance supportive environment was observed, tested and documented. This aspect of the study is still descriptive and

not causal in nature as only correlational relationships were proved by inductive reasoning and inferences drawn (Cooper & Schindler, 2003:149).

Conclusions and recommendations are drawn from the results of the statistical significance tests of relationships between perceptions of the different groups and levels of public servants of local governments (municipalities) regarding behavioural factors affecting performance management and, also, on how training in the performance management systems correlated significantly with improved service delivery.

4.4. Research Sample

According to Cooper and Schindler (2003:181), the ultimate test of a sample design is how well it represents the characteristics of the population it purports to represent. In other words, the sample must be valid. The validity of a sample depends on two considerations, namely accuracy and precision.

Cooper and Schindler (2003:181) further define accuracy as the degree to which bias is absent from the sample. The sample for this study was accurate because there were no systematic variances “due to known or unknown influences that cause the scores to lean in one direction more than another” (Kerlinger, 1986:72). It was decided to use the non-probability sampling procedure because of the small size of the population (528) as described hereunder (see Figure 4.1). It was the only feasible alternative. There was, therefore, no need to use the standard deviation measurement to measure the standard error of estimate.

According to Cooper and Schindler (2003: 181), nonprobability sampling includes elements of the population selected in a non-random manner, such as convenience, purposive and snowball sampling. Non-randomness occurs when the population elements are selected on the basis of convenience. The judgemental procedure, which is a section of purposive sampling (Figure 4.1), was used to target people from all managerial levels because they are supposed to be involved in strategic performance management on a daily basis. Lower level employees were considered on a small scale because they are generally involved in project operations.

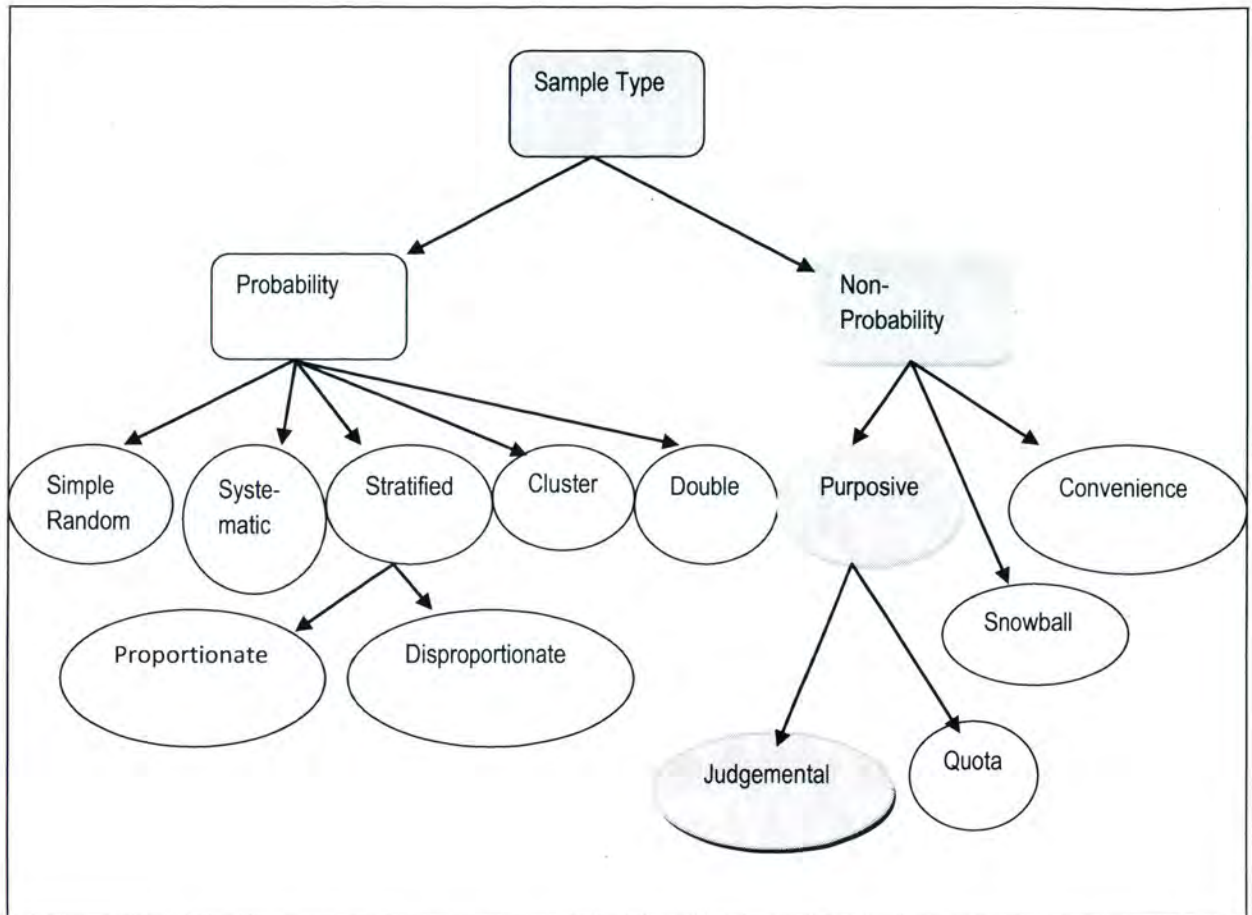


Figure 4.1: Sampling Method Framework (Source: Cooper and Schindler: 2003)

According to Cooper and Schindler (2003:190), a sample of five (5) per cent of the total population is significant enough for testing hypotheses. There are twenty four (24) municipalities in the North West Province with an average number of five (5) senior managers, ten (10) unit managers and seven (7) executive committee members. The population for the research project is all municipal senior managers in the province, which is an average of five hundred and twenty eight (528) people. The total population (Table 4.1) was used as a sample because of its small size. But all assumptions will be relevant only to the population under examination.

Table 4.1: Distribution of Research Sample

Position in Municipality	Number	Percentage
Executive Committee Members	168	32
Senior Municipal Management Team (Section 57 managers)	120	23
Unit Managers	240	45
TOTAL	528	100

The researcher acknowledges that sources of error can occur during the research process. In this particular research, interviewer and respondent biases could be introduced at all levels of the research process. The researcher avoided these errors by being as objective as possible.

4.5. Data Collection

The process followed to collect data on the variables included in this study is explained and discussed. The unit of analysis of the research is addressed by specifying the types of municipalities which were considered in the study. Secondly, the data collection strategies and the technical details of the empirical research are described.

4.5.1. Description of the Unit of Analysis

According to Wright and Gardner (2003:316), “no right or wrong level of analysis exists for studying causal relationships. Each level provides answers to unique questions, and each has a set of relative advantages and disadvantages. This suggests that researchers need to be quite deliberate in their choice of research questions, given the level of analysis”. It can be deduced from this statement that the delimitation of the scope for empirical studies in the management field should be in accordance with the objectives and research model that the researcher formulates.

The aim of the research is to provide answers to the following six investigative questions outlined in chapter one of this study:

1. What is the role of managerial leadership in the development and implementation of an effective organisational performance management system?

2. To what extent does communication influence the behaviour of stakeholders towards the use of an organisational performance management system?
3. What effect does organisational culture have on the implementation and use of the municipal organisational performance management system?
4. What is the relationship between the knowledge of senior municipal managers and the implementation and use of a municipal organisational performance management system?
5. How does an aligned and balanced strategic framework affect the morale of employees in the use of the municipal organisational performance management system?
6. What is the correlation between the identified behavioural factors and the effective implementation and use of the organisational performance management system?

Based on these research questions and objectives, the empirical study comprises municipalities of different types and sizes in an attempt to determine the level of implementation and use of the organisational performance management systems. This type of research population allows the researcher to compare the levels of influence the behavioural factors have on the organisational performance results according to the relative use of the PMS framework, and, at the same time, to generalise the results of the research. In addition, with a multi-sectoral sample of municipalities, it is possible to contrast the degree of environmental dynamism that municipalities face and, thus, to examine the relevance of external conditions as moderators of the relationship between the behavioural factors and organisational performance.

The sizes of the municipalities were also considered during the delimitation process of the research population. According to Lepak and Snell (2002), a minimum size of a firm is required in order to identify companies with an explicit or formal performance strategy. The number of municipal employees was not considered as an indicator of the size of the municipality despite the indications by previous

research that recommends that only companies with 100 or more employees should be considered (Huselid, 1995; Guthrie, 2001; Youndt & Snell, 2004).

The unit of analysis in this study is management and executive committees of municipalities. That is, the researcher is interested in analysing the qualities of direction displayed by these leaders, learning from the performance information (results) and implementation of the decisions they make without fear or favour, and also how these behaviours affect the overall performance of the municipality. It is, therefore, considered that the limitation of the study to this specific area provides several benefits to the research.

Firstly, as the Municipal Systems Act, 2000 refers only to one group of employees in the municipality (municipal managers and those who report directly to them), some improvements in the reliability of the performance measurement can be made. Several scholars have suggested that performance management practices vary in respect to area, type of employee, or business unit (Jackson et al., 1989; Gerhardt et al., 2000). In this regard, Tsui et al. (1997) provided strong evidence that organisations use different performance management systems for employees in different jobs. Consequently, one respondent is unlikely to provide an accurate definition of the performance management practices that correspond to different jobs (Wright & Gardner, 2003). For the same reason, a general assessment of the performance management practices for the entire workforce would not be appropriate (Lepak and Snell, 1999). In order to avoid these challenges, some researchers have recommended focusing on specific jobs or a group of similar jobs (Delery, 1998).

Secondly, by focussing on a specific group of people, a better understanding of their responses to the organisational performance management system can be obtained. This is particularly relevant in the examination of variations in behaviour (the mediator variable) depending on the degree of the behavioural factors that affect their responsibilities. Some previous studies that have included intermediate variables between behavioural factors and organisational performance have also constrained the analysis to a specific job or group of people. For instance,

Schiemann and Lingle (1999) and De Waal (2004) concentrated on management to study the extent to which the commitment of leadership and management mediates between strategic leadership and performance results.

Thirdly, the importance of municipal councillors has become increasingly crucial for the improvement of service delivery in the current political environment. According to Slater and Olson (2000:815), “the development of strong and enduring relationships with key customers has become accepted as a foundation for competitive advantage over the past two decades”. The municipal councillors determine the degree of interdependence between the municipality and the communities they serve, distributing information and determining the nature of the relationship, for instance, in terms of tenure of office or trust. This allows municipalities to understand the community needs and, thus, to provide services accordingly (Slater & Olson, 2000). Since municipal councillors are crucial in service delivery, the study of performance management practices relevant to this group, together with their responses to such practices (in terms of understanding), can provide greater insight into how municipalities can provide improved services.

4.5.2 Questionnaire Design

Cooper and Schindler (2003) state that primary sources are original works of research or raw data without interpretation or pronouncements that represent an official position – these include most government data, like census and the others. Primary sources are always the most authoritative because the information has not been filtered or interpreted by a second party. Secondary sources are interpretations of primary data. They further state that, in many cases, government publications and data sources are mandatory for many business research projects.

According to Verkatraman and Ramanujam (1986), primary data is collected directly from organisations and secondary data is available from public records. However, they further found that in the course of their research efforts economic data collected from primary and secondary sources “indicated that the two approaches are significantly correlated, thus providing support for the convergent validity of the measures”.

Despite this disparity in definitions and understanding of the concept, for the purposes of this research the definition provided by Verkatraman and Ramanujam (1986) will apply. The interpretation of this definition is that data not collected directly from respondents will be regarded as secondary even though the data is government sourced and/or available to the public.

For the empirical study, the method of data collection has been interrogative or communicative. The researcher questioned subjects and collected their responses by means of a Performance Management Analysis Questionnaire instrument adapted from De Waal (2003). The questionnaire was designed to diagnose the role of behavioural factors in the development and implementation of organisational performance management systems in the North West province.

Evidence of the effective use of organisational performance management was secured through the assessment of items such as the quality of strategic leadership direction of the municipality, vertical and horizontal communication, and decision making and operational coordination.

A questionnaire with 46 questions was designed because it standardised questions and saved the valuable time of respondents. The questionnaire was respondent-centred because it was self-administered. It was designed to take 30 minutes at the most to answer.

Leading questions were avoided at all costs. There were no questions that favoured one type of answer over another, or associated a particular response with an important behavioural factor or personality (Bless & Higson-Smith 1995:109). Rather, questions were made simple, short and unambiguous. Words that were too general, too vague, or that could give rise to different interpretations, were not used at all.

No questions were double-barrelled. No questions contained technical expressions and sophisticated language. They were easy to understand. The tendency of participants to answer all questions in a specific direction regardless of the question

was countered by breaking the monotonous sequence and format of questions and response categories.

The repetition of the content of a question formulated in different ways and placed in different parts of the questionnaire is a method that was used to facilitate the veracity of the answers and the honesty of the participants. This was particularly useful in this population because the majority of respondents were afraid of victimisation.

Structured questions were preferred because they are simple to record and score and they allow for an easy comparison and quantification of the results. According to Bless and Higson-Smith (1995:109), the disadvantage of structured questions is that they may produce bias if important categories are left out because they restrict the number of possible answers. The negative aspects of structured questions, like over-restrictive response possibilities or exclusion of important ones, can be greatly reduced by adding an open-ended option. Open-ended questions may relieve the anxiety of participants of giving “false” answers since they can speak freely. The researcher opted for using focus group meetings and participant observation to enhance the quality and validity of the responses of the respondents to the questionnaire.

4.5.3. The Topical Scope of the Study

The study is a hybrid of statistical and experimental case study designs. The statistical studies are designed for breadth rather than depth. The statistical design aspects capture the characteristics of a population by drawing inferences from a sample's characteristics. Hypotheses are tested quantitatively and generalisations about the findings are presented based on the representativeness of the sample, strength of the instrument factor analysis, the statistical significance of the relationships, and the validity of the design (Cooper & Schindler, 2003:150).

The experimental case design aspect of the study is an in-depth contextual analysis and synthesis of performance management conditions in municipalities and their interrelations. While the administering of the Performance Management Analysis Questionnaire instrument has characteristics of an *ex post facto* research design,

where a researcher interviews the respondents to determine what is or what has been (Cooper & Schindler, 2003: 424), an experimentation design was added to allow the researcher to administer a stimulus (of the form of performance management skills development) and then test for changes in the attitudes and behaviours and the resultant statistical significance of the observed differences, if any.

The experimental design used is similar to a True Experimental Design (Cooper and Schindler, 2003:428), in which two groups of participants are sampled. The first group sampled in this study is an experimental group whose participants consisted of the Organisational Performance Management Systems (PMS) Managers from municipalities in the North West province. More than eighty per cent (80%) of the population (19 managers) was pre-tested and, then, 31% (7 managers) of the same population was post-tested. The second group included senior municipal managers, unit managers and councillors. Five hundred and twenty eight (528) questionnaires were distributed to all municipalities in the North West province. One hundred and fifty seven (157) questionnaires were received back from municipalities, which is a return rate of 30%. A substratum of the first group, the “change agents” subgroup that ultimately formed the Performance Management Systems Implementation Core Team (Core Team), was given a higher-level stimulus than the rest of the experimental group. The second group in the study is a comparative control group of participants whose municipalities agreed to participate in the study, and were pre-tested only.

After the initial pre-test measurement of the implementation and use of organisational performance management in both groups, the “Core Team” was tasked with the development and implementation of a municipal-wide change management programme for the entire province. The change management programme entailed an intensive training intervention on municipal organisational performance management for the “change agent” subgroup of the experimental group. The intervention covered strategic leadership, business communication (both vertical and horizontal); management and leadership, organisational culture, rewards and compensation, and data processing and information technology.

This type of design is similar to Pre-test – Post-test – Control group design (Cooper & Schindler, 2003:438). The use of a control group enhances the design by achieving true equivalence of groups. Maturation, testing and regression can also be handled well, as it can be expected that these would be felt equally in both the experimental and comparative groups. Figure 4.2 depicts this experimental design.

Sample size for P1 and P2.

- P1 (Municipal Leadership). Sample size = 157
(PMS Managers = 7; Municipal Senior Managers = 114; and Executive Committee members = 36).
- P2 (Provincial Focus Group) = 13

Sample Size for O1 and O3

1. O1 (PMS Managers). Sample size = 19;
2. O3 (Control Group). Sample size = 20;

Sample Size for O2 (Size and breakdown are near accurate estimates)

O1 = Sample Size = 157

MSM = Municipal Senior Managers including Unit Managers;

MC = Municipal Councillors;

PM = Performance Managers;

FG = Focus Group.

Key:

- O₁** = Pre-testing or pre-measurement, and **before X**, of knowledge, and practice of organisational performance management systems concepts, and constructs on Experimental Group participants (Observation 1).
This also served as baseline research data;
- X** = Launch of change management programme, including training and imparting of organisational performance management systems knowledge and practice on the Experimental Group participants;

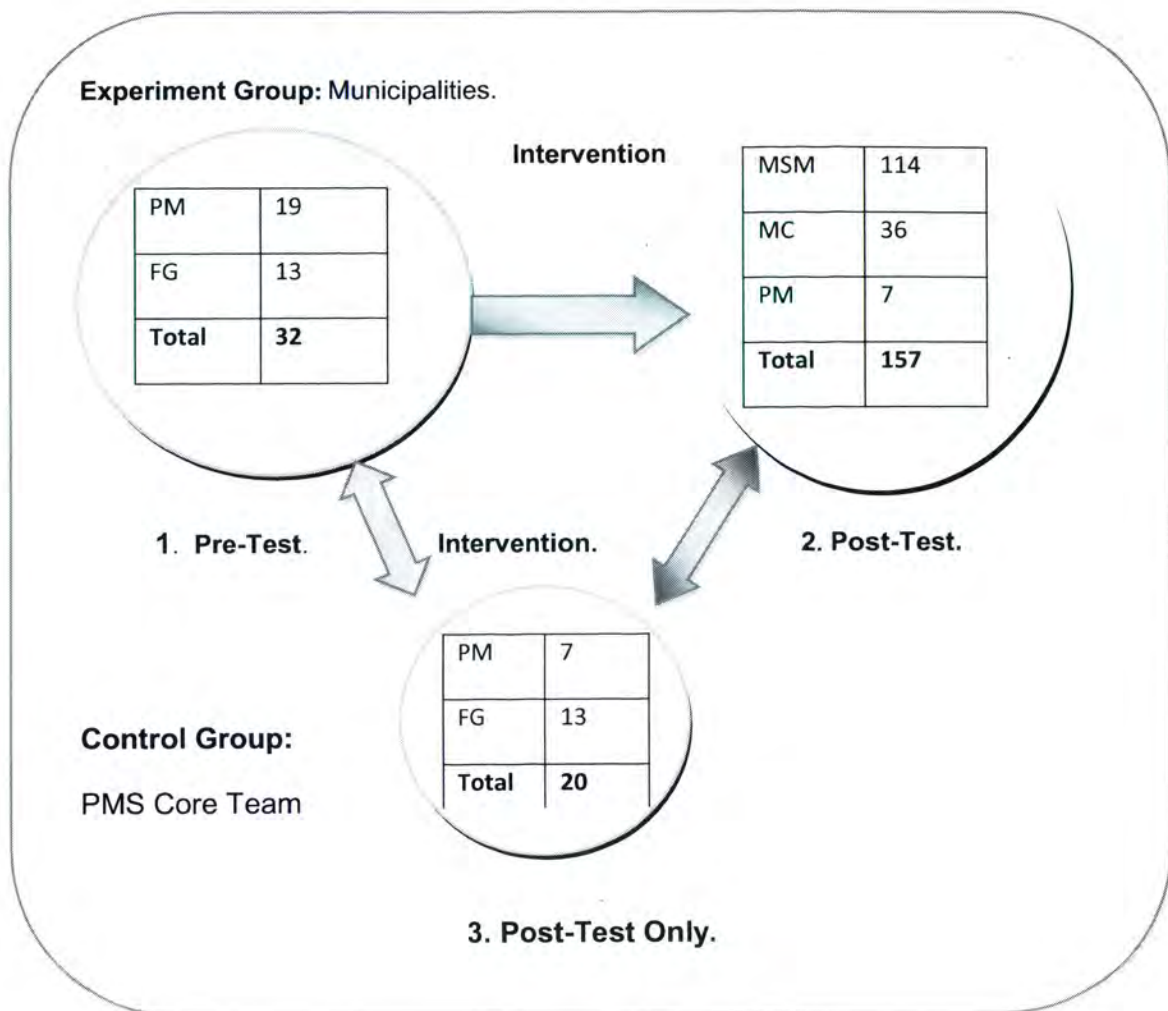


Figure 4.2: Pre-test Post-test Control Group Design.

- O₂** = Post-testing or post-measurement and **after X** of knowledge, and practice of organisational performance management concepts and constructs on Experimental Group participant (Observation 2);
- O₃** = Testing (or verification) of primary data collected on the practice of municipal organisational performance management on the Focus Group participants, on which **no X** is performed.

For the purpose of this study, the staff members of all municipalities formed the Experimental Group, while staff from the Department of Local Government and Traditional Affairs (PMS Unit) of the North West province together with the

Performance Management Systems Implementation Core Team, constituted the Control Group.

The questionnaire was administered to the entire population of the Experimental Group (189 elements). An eighty three percent (83%) response constituted a good sample and can be said to represent the characteristics of the population it purports to represent.

The Control Group was made of the Performance Management Systems Implementation Core Team, which was established by PMS Managers from municipalities who were at an advanced stage of the PMS implementation and all staff members of the Department of Local Government and Traditional Affairs (PMS Unit). A questionnaire was administered to the department staff members while the Core Team was part of the Focus Group that dealt with the questionnaire in several meetings. While the response from the Core Team was small and cannot be regarded as representative of the perceptions of the entire population, the combined knowledge and experience of the members can be regarded as authoritative for the design purposes of the present study.

4.5.4. Procedures for Data Collection

Data was collected through the administration of structured questionnaires to the managers and municipal councillors either or via electronic mail. The nature of data collection procedure was mixed in terms of the number of respondents per municipality. One questionnaire was designed but applied to three different groups of respondents as figure 4.3 shows. Situation III is where PMS Managers of all municipalities in the province were requested to complete a questionnaire containing information on all the latent variables included in the research: Management and Leadership Commitment; Accountability and Action; Balanced Strategic Performance Framework; Organisational Culture; and Communication. This questionnaire was addressed to PMS Managers and the staff members of the Department of Local Government in the PMS Unit.

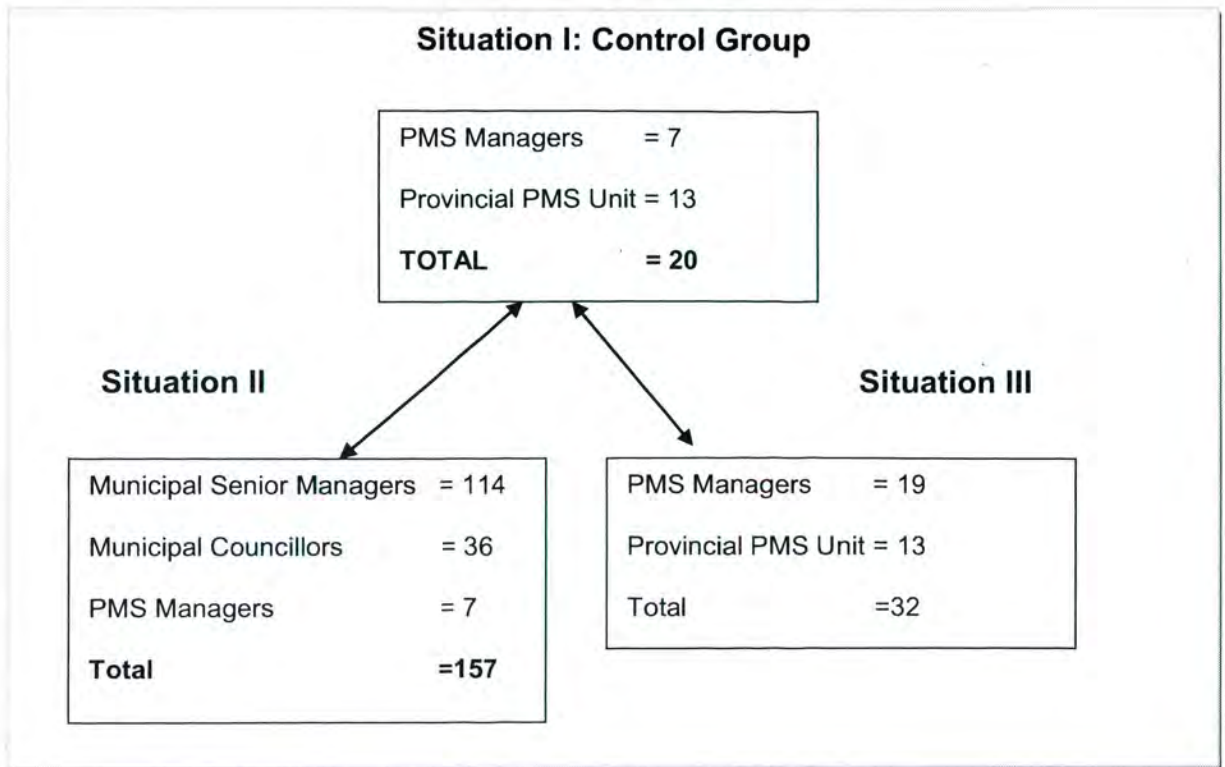


Figure 4.3: Procedure for Data Collection: Questionnaires

Situation II is where the same questionnaire was addressed to municipal councillors and senior managers. The questionnaire contained the same information on latent variables included in the research as in situation III.

Situation I: The same questionnaire was also tabled in the focus group meeting where PMS Managers of the municipalities that responded to the invitation to participate in the study and the staff members of the Department of Local Government in the PMS Unit were requested to respond to the same questions. They were further requested to elaborate on their responses so as to give substance to their perceptions. The focus group was used as the control group for the sake of validity. Biographical questions that were taken as control variables in the analysis; such as gender; experience; race and position in the municipality were included in the questionnaire.

This data collection approach helps to avoid the common method variance bias that may appear when one person provides the required information on the performance

of the municipality. According to Wall and Wood (2005:441), measures of dependent variable (performance) should come from a different source from that used to measure behavioural factors. These authors suggest that, when one source provides information on behavioural factors and organisational performance, the measurement of the independent variable can be contaminated by the knowledge of the final outcome. In this study (Situation II in Figure 4.3), municipal councillors and senior managers provided information about the municipal performance, while the Control Group provided information on the performance results of the municipalities.

The field work was conducted during the period September 2009 to August 2010. The following table shows the rate of response, classified by the number of respondents in each municipality. As observed in Figure 4.3 above, the information needed to test the hypotheses was obtained in situations I and II (N =189). Situation I refers to the Control Group where PMS Managers of the municipalities that responded to the invitation to participate in the study and the staff members of the Department of Local Government in the PMS Unit were requested to validate the information collected in situations I and II (N = 20).

Table 4.2: Distribution of Respondents.

Situation.	Number of Respondents	Number of Completed Returned Questionnaires	Percentage.
I	Control Group (Focus Group)	20	10%
II	Municipalities	157	75%
III	PMS Core Implementation Team	32	15%
TOTAL		209	100

The data collection method followed in this study led to missing data in Situation II when respondents realised that they did not have answers to the questions asked. Nearly 17% of data was either incomplete or the respondents decided to settle for an “I don’t know” response. The data, therefore, shows a particular pattern of missing values. For this reason, special attention was paid to the treatment of missing data in the study.

The Structural Equation Modelling (SEM) technique, which is a far more efficient method than the *list-wise* procedure that would have resulted in the loss of approximately 17% of the sample, offers two ways to analyse incomplete data that complement traditional procedures to handle missing observations. Brown, (1994) argued that SEM techniques for dealing with missing data do not require the deletion of records as is the case with the *pair-wise deletion* (PD) and *list-wise deletion* (LD) methods. The statement was also supported by Arbuckle, (1996) and later by Kline, (1998).

The first option offered by SEM is to estimate a model across multiple groups; one with complete data on all variables and the others with particular patterns of missing observations. To test whether these estimates are equal across the complete and incomplete samples, a comparison is made of the “matches” of a model with and without these parameters constrained to be equal across the groups. If the “matches” of these models are not hugely different and the overall match of the constrained model is acceptable, then the proposed model is assumed to be invariant across both the complete and incomplete groups. However, the multiple group SEM approach to analyse incomplete data is not practical if either the total sample is too small or there are only a few cases for each pattern of missing data (Kline, 1998).

An alternative approach is to use a modification of standard Maximum Likelihood (ML) estimation that handles incomplete raw data (Bentler, 1990). In practice, this procedure can be used only when:

1. the distinct patterns of missing data are few (Arbuckle, 1996);
2. the rate of missing observations is relatively high compared to the total sample (Kline, 1998); and
3. the complete database is not very large (Winkler & McCarthy, 2005).

The database used fulfilled all these requirements. The ML estimator procedure does not discard partially complete cases but incorporates them into the estimation process. One specific approach to obtain ML estimation is the expectation-maximisation (EM) algorithm (Jamshidian & Bentler, 1999), which is the best methodology to date for analysing models compatible to the EQS software (Bentler, 1995). The EM algorithm uses the information contained in cases with and without

missing data to compute a maximum likelihood covariance matrix, and, therefore, it makes more efficient use of the available data than standard missing data techniques (Patterson, West, Shackleton, Dawson, Lawthom, Maitlis, Robinson, and Wallace, 2005). Graham, Hofer, and McKinnon, (1996) demonstrated that parameter estimates based on the analysis of the EM covariance matrix are excellent in that they are not biased but efficient.

Through the application of the EM algorithm, the missing data in Situation II was substituted with EM estimation. Thus, 209 valid questionnaires were included in the subsequent analyses. All the participating municipalities are classified as local according to the requirements of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998). Regarding organisational size, 29% were largely urban with high capacity, 29% were rural with medium capacity, 29% were semi-urban with low capacity, and 13% were largely urban with medium capacity.

Table 4.3 summarises the technical details of the empirical research. The sample error is relatively high because municipalities were not willing to participate in the study, which is typical of the behaviour of local government managers in the North West province.

Table 4.3: Technical details of the Empirical Research

Research Population	24 Municipalities
Sample Size	528
Sample Error	6.5%
Confidence Level	95%
Sample Selection	Judgemental
Data Collection Method	Questionnaire sent electronically or personally delivered to identified potential participants in municipalities
Data Collection Period (Field Work)	September 2009 to August 2010

4.6 Data Analysis

The Statistical Analysis Systems (SAS. 1988) of the Statistics Department of the North West University's was used for the analysis of the quantitative data aspects of the questionnaires. Standard statistical parameters and methods were used to analyse the data. Typically, these were parameters such as the cause and effect and

so forth. For comparative purposes, comparative statistical tools such as the Factor Analysis and Structural Equation Models were used to test the hypotheses made and to make statistical significance comparisons within the pre-test – post-test group, between it and the comparative control group, and wherever else possible (Cooper & Schindler, 2003).

Valid measures for the theoretical constructs must be developed in order to carry out the statistical treatment of the data. The theoretical constructs discussed in chapter three are translated into measures to evaluate Managerial Leadership Commitment, Accountability and Action, a Balanced Strategic Performance Framework, Organisational Culture, and Communication (Control variables). This section presents the criteria used to select items for each concept and discusses the scale content.

4.6.1. Measurement of Quality of Direction

Although a number of empirical studies was conducted on the Quality of Direction - about the development and implementation of organisational performance management, there is inadequate evidence that some work was done on the implementation and use of municipal organisational performance management systems. The discussion provided in chapter three presented a conceptualisation on Quality of Direction from a system-based perspective, according to which the components of the Quality of Direction are grouped into a set of dimensions. In this section, the latent variables that constitute the Quality of Direction are discussed in order to answer the relevant hypotheses.

4.6.1.1. Description of the Quality of Direction Latent Variables

According to Beer and Eisenstat (2000), the Quality of Direction of an organisation is determined by a number of behavioural factors. The first factor is Management and Leadership commitment, which refers to the total belief in the organisational vision. The second factor includes activities oriented towards ensuring that all stakeholders are involved in the development of the vision and actually understand and live it (Kotter, 1996). Massello (1999) and later Kaplan & Norton, (2001) concurred with

the statement. An effective management style, which explicitly steers on results while simultaneously empowering employees to reach the expected results of an organisation, has to look at visible commitment, clear strategy and support (Schouten & Van Beer, 2000, and De Waal, 2004). One of the behavioural factors that is regarded as crucial in executive management support systems is the procurement of the latest data processing and information technology support infrastructure (Ho & McKay, 2002). A review of some of the most relevant studies on behavioural factors that influence the organisational performance management assisted in the determination of the areas that should be addressed in each dimension of the PMS framework. As shown by Table 4.4, there must be management and leadership commitment to the development and implementation of organisational PMS by empowering employees through the provision of executive support and displaying an attitude of accountability and responsibility.

The table further points to the fact that education and training enables managers to comprehend the purpose and benefits of organisational Performance Management System. Management would further need tools, processes and infrastructure for data collection, analysis, interpretation and reporting so as to be able to make informed and rational decisions. The majority of authors, such as Lingle and Schiemann, (1996); Kaplan and Norton, (2001); Ho and McKay, (2002) and Maisel, (2001), agree that employees have to be involved in the formulation of strategy and the criteria for its success plus the development and selection of measures.

Those areas that focused on the improvement of the leadership and management of the municipality will be treated as complementary in the organisational PMS literature, and many authors have used a composite scale including practices in performance management.

Table 4.4: A Revision of the Identified Behavioural Factors

Behavioural Factors	Lingle and Schiemann, (1996)	Gates (1999)	Kaplan and Norton (2001)	Ho and McKay (2002)	Maisel (2001)	Johnston et al (2002)	De Waal (2002).
Management and Leadership Commitment	Employee empowerment		Executive Support; Leadership ; Commitment;	Accountability & Responsibility;	Executive Support; Leadership; Commitment; Accountability & Responsibility;		Management attitude towards PMS
Management Understanding	Ability; Education & Training		Ability; Education & Training		Ability; Education & Training		Ability; Education & Training
Data Processing & IT Support				Infrastructure for data collection, analysis, interpretation and reporting	Infrastructure for data collection, analysis, interpretation and reporting		
Management Support System.					Tools & processes		
Organisational Culture	Teamwork; Ownership of problems; Entrepreneurship	Teamwork; Ownership of problems; Entrepreneurship	Continuous Improvement	Continuous Improvement	Team work; Ownership of problems; Risk taking	Team work; Ownership of problems; Risk taking.	Continuous Improvement
Alignment	Link between business unit performance measures and corporate performance measures	Link between business unit performance measures and corporate performance measures	Link between business unit performance measures and	Link between business unit performance measures and corporate	Link between business unit performance measures and corporate		Link between business unit performance measures and

			corporate performanc e measures	performance measures	performance measures		corporate performanc e measures
Review and Update	PMS	PMS; Improvement Plans	PMS; Strategy; Improvement & Learning	PMS; Improvement & Learning; Improvement Plans		PMS; Strategy; Improvement & Learning	Internal managemen t & Control
Communicati on and Reporting	Prompt & Formal vertical and Horizontal	Prompt & Formal vertical and Horizontal	Prompt & Formal vertical and Horizontal	Prompt & Formal vertical and Horizontal	Prompt & Formal vertical and Horizontal		
Involvement of Employees	Development and Selection of Measures		Developmen t and Selection of Measures	Development and Selection of Measures	Development and Selection of Measures		
Reward and Compensatio n Link		Linkage between remuneration packages, performance measures and performance appraisal system	Linkage between remuneratio n packages performance measures and performance appraisal system	Linkage between remuneration packages performance measures and performance appraisal system	Linkage between remuneration packages performance measures and performance appraisal system		
Clear and Balanced Framework	Financial performance; Operating efficiency; Customer satisfaction; Employee performance; Innovation & Change management; Community or Environmental issues.		Financial performance ; Operating efficiency; Customer satisfaction; Employee performance ; Innovation & Change managemen t; Community or Environment		Financial performance; Operating efficiency; Customer satisfaction; Employee performance; Innovation & Change management; Community or Environmenta l issues.	Financial performance ; Operating efficiency; Customer satisfaction; Employee performance ; Innovation & Change managemen t; Community or Environment	

			al issues.			al issues.	
Agreement on Strategy and Success Map	Strategy; Criteria for strategic success;	Strategy; Criteria for strategic success;	Strategy; Criteria for strategic success;		Strategy; Criteria for strategic success;		

Having reviewed the areas to be covered in each dimension of the organisational PMS framework or strategy, a set of items from published scales in the performance management literature was extracted. Different approaches were adopted in the literature regarding the specificity with which organisational performance management practices should be measured, that is, the level of description of each practice (Wright & Gardner, 2003). Some authors have asked about the percentage of performance measures covered, while others developed questions to measure objectively the organisational performance or non-performance, using dichotomous variables (McDuffie, 1995). A third approach used Likert-type scales to assess the extent or importance of the performance management practice in the organisation (Delery & Doty, 1996).

In general, there appears to be biasness towards the use of generic measures, for instance, many studies ask about the extent to which management and leadership agree on the development and selection of measures to be used. However, the use of performance measures can mean different things in different performance management strategies and organisational contexts. In this study, an attempt will be made to measure the municipal management and leadership practices through objective scales, thus leaving less room for ambiguity on the part of the rater (Huselid & Becker, 2000:845). As the measures of organisational performance management practices become more precise, it is easier to verify the impact of management and leadership on performance (Wright & Gardner, 2003: 324).

However, it should be noted that the contrast between questions on, for instance, reward systems, where the information can be objectively verified, and questions on management style, which ask about ethical behaviour, with a strong subjective element, is, potentially, considerable. There is, therefore, a need to balance the desire to be inclusive with the need to collect accurate information. As Wright and

Gardner (2003) argued, “too much emphasis on objective measurement runs the risk of omitting practices that are central to management and leadership”. On the other hand, too much scope for personal judgement risks the reliability of responses (Wright & Gardner, 2003).

In line with the argument of Wright and Gardner (2003), the internal measuring scales in the questionnaire ranged between 1 and 5, and are labelled as shown in Table 4.5:

Table 4.5: Questionnaire Measuring Scale

Measuring Scale	Description of Scales
1	Strongly Disagree.
2	Disagree
3	Don't Know
4	Agree
5	Strongly Agree.

Table 4.6 reflects the biographical information that is required in the classification of the results of the data to be collected from respondents.

Table 4.6: Biographical Information

1.	Name of Municipality.		
2.	Your position in the municipality.		Councillor
			Section 57 Manager
			Unit Manager
3.	Gender.		Female
			Homosexual
			Male
4.	Race		African
			Asian

			Coloured
			White
5.	Length of Service (In years).		0 – 5
			6 - 10
			11 - 15
			16 +

It is important to highlight the fact that when asking questions about municipal organisational management practices, special emphasis will be made to indicate that only information about PMS development and implementation during the prescribed period should be provided.

4.6.1.2. *Description of the Quality of Implementation of Latent Variables* (Making Latent Variable operational)

As described in chapter 3 above, an organisational performance management system is a distinctive combination of practices built around organisational logic (Guest et al, 2004:8). The notion of organisational performance management systems is the main concept in the internal fit approach to the organisational performance management framework or strategy, and it is based on the idea that practices within systems are internally consistent (McDuffie, 1995:204). Delery, (1998) adopted an approach to make the internal fit operational between sets of practices. The approach was later followed by newer ones developed by Roche, (1999); Wright & Gardner, (2003) and Guest et al, (2004). These were meant to improve on the Delery (1998) one. Some authors, like Arthur (1992), have studied consistency through the idea of “fit as gestalt”, based on cluster analysis. Other scholars have dealt with consistency according to the idea of “fit as profile deviation” based on the deviation from the ideal configuration (Delery & Doty, 1996). Another approach is to assign practices to bundles or systems following theoretical assumptions, and then to verify the reliability of the scales through indicators such as Cronbach’s alpha (Lepak & Snell, 2002). Other studies adopted the idea of a “fit as a

co-variation” based on factor analysis (Venkatraman, 1989); either with an exploratory (Huselid, 1995) or a confirmatory character (McDuffie, 1995).

Of all the previous approaches, Wood (1996:45) asserts that “an appropriate statistical method for seeing if the high performance practices in the chosen collection do form a unity is latent variables analysis”. In this study the organisational performance management system is made operational from a latent variable perspective. This approach of treating the internal fit of the organisational performance management framework or strategy considers that the practices used in the municipalities are chosen because of an underlying management approach. In other words, the shared variance of a set of organisational performance management practices could represent the latent, underlying architecture, philosophy, or character that ties a set of organisational performance management practices together (Dorenbosch et al., 2005). According to this concept of internal fit, the management and leadership commitment, organisational culture, communication and other variables of the organisational performance management framework are underlying orientations that determine the use of certain practices. These dimensions are treated in this study as latent variables, which explain the correlation between the practices falling into each category (De Menezes & Wood, 2006).

In conclusion, the conceptualisation of organisational performance management indicates that the strategy comprises five behavioural factors, each corresponding to organisational performance management dimensions. A Confirmatory Factor Analysis (CFA) will be used to make the organisational performance management dimensions operational, described in the following sections.

4.6.2. Measurement of Quality of Implementation

In order to measure the development and implementation of municipal organisational performance management systems, published scales were selected to cover all the dimensions of this concept. According to Beer and Eisenstat (2000), the “Quality of Implementation” of an organisation is determined by a number of behavioural factors. The first factor is organisational culture, which refers to how things are done in the municipality in order to ensure that the strategies are implemented (Lingle &

Schiemann, 1996; Gates, 1999; Kaplan & Norton, 2001; Ho & McKay, 2002; Maisel, 2001; Johnston et al 2002; and De Waal, 2002). This is where decisions about the performance results and continuous improvement plans are made. The second factor is a clear and balanced strategic performance framework that contains both financial and non-financial measures (Lingle & Schieman, 1996; Kaplan & Norton, 2001; Maisel, 2001; and Johnston et al., 2002), from which the performance measures of individual employees and the reward and compensation system are aligned to business units through to corporate measures.

The measurement scales used by Beer and Eisenstat (2000) and De Waal (2002) will be adopted to evaluate the extent to which the culture of discussing performance results in a transparent manner affects the morale of employees and improves decision-making processes on resource mobilisation and allocation. The same 5-point scale that will be used in the "Quality of Direction" (Table 4.4 above) will also be used. In the scale, statements such as "Performance information is used by management to stimulate and coach employees" are covered. The scale measures the organisational culture through a set of items to assess the behaviour of managers. These items capture the proactive side of management behaviour, considering questions about the ability of managers to respond to and anticipate change or unintended consequences. Finally, the scale also measures both internal collaboration (between colleagues) and external cooperation (between employees and stakeholders).

The wording of these items was based on suggestions provided by Beer and Eisenstat (2000) and De Waal (2002) when considering the characteristics of organisational performance management as mediating variables. According to Delery (1998), items to evaluate features of management can be assessed by a key respondent whose position in the organisation allows him or her to rate the level of the mediating variable. This approach has been used by previous researchers, such as Wright et al., (1995), with basketball coaches rating the level of skills possessed by their teams, and Huselid et al., (1997) by considering the opinion of human resource management executives on workforce characteristics, or the research

conducted by Farrell and Hakstian (2001) in which the performance of salespersons was evaluated through ratings of the supervisors.

Items corresponding to each Quality of Implementation dimension will be treated as indicators of a latent factor in this study. Thus, the components of the Quality of Implementation are represented as latent variables that explain the relationship between the items in each category.

4.6.3. *Measurement of Quality of Learning*

The subjective measure of organisational performance management is used in this study. According to Sutcliffe and Huber (1998), it is the manager's perception of organisational learning that determines strategic decisions and actions in the organisation. Furthermore, these authors demonstrated that there is no discrepancy between the perceptions of similar performance characteristics among managers belonging to different organisations or industries. That is, the perception of performance by managers can be accepted as an approximation of the actual performance features that the organisation faces. To measure organisational learning, the scale proposed by Sutcliffe and Huber (1998) will be adopted. This scale comprises statements around review and update of performance measures, Performance Management System, strategy, improvement plans, internal management and control systems, and horizontal and vertical communication with all stakeholders. All the statements were assessed on a Likert-type scale, ranging from 1 (strongly disagree) to 5 (strongly agree). These indicators will be considered as a consequence of the level of municipal organisational learning, which will be treated as a latent variable.

4.6.4. *Measurement of Organisational Performance*

The initial performance management systems had a tendency of using only financial results to measure organisational performance. However, researchers like Schneiderman (1990), who was the first to criticise the performance measurement system used by organisations at the time, proposed the inclusion of multiple performance indicators to broaden the concept of organisational performance

management. Since then, the range of performance indicators considered in the performance management field was expanded to four perspectives as shown by the Balanced Scorecard developed by Kaplan and Norton (1992). These are the Financial perspective, which assesses the return-on-investment (ROI), return-on-assets (ROA), return-on-equity (ROE) and others, as performance indicators, the Customer perspective, Internal Business Processes and Organisational Learning and Growth. In addition, the range of performance perspectives or criteria has grown with the introduction of the Performance Prism in the organisational performance management literature (Neely, Adam & Kennerley, 2002). The Performance Prism seeks to broaden the range of performance measures in order to capture the roles and responsibilities of all stakeholders in the organisation.

A considerable number of different performance indicators was considered in empirical studies into the effects of behavioural factors on organisational performance. However, according to Becker and Gerhart (1996:791), "the appropriate dependent variable will vary with the level of analysis, but in each case the focus should be on variables that have inherent meaning for a particular context". According to the description of the unit of analysis in this study, the focus is on the organisational performance management and management reaction to those strategies in various municipalities. Consequently, performance indicators that are used for this research are directly related to municipalities. Specifically, considering the close relations between management and municipal employees, two measures of performance were considered.

The first measure of performance (employee effectiveness) refers to the extent to which relationships with managers are efficient and the needs and expectations of employees are fulfilled. This concept has been adopted by previous studies under different denominations, such as employee service performance (Borucki & Burke, 1999) or staff placement or alignment. Drawing from these studies, and the research conducted by Volberda (1998), a five-point Likert-type scale will be developed to measure employee effectiveness. The scale evaluates statements such as the development of Workplace Skills Plans (WSP) or the capacity of the municipality to influence future employee expectations.

The second measure considered is “employee satisfaction”. Several studies that attempt to demonstrate the relevance of behavioural factors to organisational success have adopted this performance criterion, since it is a key factor contributing to organisational success in modern organisations. The scale measured indicators related to management style, improvement in communication with employees or reduction in the number of employee complaints.

Similarly to previous studies in the organisational performance management field, the performance measures used in this research are relative (or benchmarked), since respondents were requested to assess the development and implementation of organisational performance management systems over a period of seven years in comparison with other municipalities. The use of perceptual data introduces certain limitations through increased measurement error and the potential for mono-method bias. However, as Delaney and Huselid (1996) revealed again, research has found that measures of organisational performance correlates positively with objective measures of performance.

4.6.5. Measurement of Control Variables

The analysis of the relationships between behavioural factors and organisational performance should consider control variables that may account for the correlation between behavioural factors and performance (Gerhart et al., 2000; Wall & Wood, 2005). Control variables are used because they are related to both independent and dependent variables. A lack of control of such variables could lead to the observation of spurious relationships (that is, observed relationships that are due to both variables covarying with the control), or suppression - when no relationships appear among the independent and dependent variables because one of the variables has a negative relationship with the control (Rogers & Wright, 1998:319). In short, control variables may help researchers to isolate the impact of the main independent variables on the dependent variable.

While certain studies include controls by their very design, others collect data on indicators that can act as control variables (Boselie et al., 2005). Even though the

variables controlled in previous studies into relationships between behavioural factors and organisational performance have varied considerably, size and sector appear in the majority of empirical studies. Other commonly considered variables are gender, location, age, and position in the organisation and strategy (Rogers & Wright, 1998).

In this study, five control variables, namely category of municipality, experience, gender, race and position in the municipality will be included. Category of the organisation is included to assess the capacity of the municipality to perform. This information is used to create four groups of municipalities: largely urban with high capacity; rural with medium capacity; semi-urban with low capacity and rural with low capacity. Regarding race, a distinction is made between Africans, Asians, Coloureds and Whites, in accordance with the classifications of the Department of Home Affairs. This then created a dichotomous variable as depicted in Table 4.6, where 1 refers to Africans and 4 to Whites. Furthermore, to analyse the characteristics of the municipality in greater detail, gender, experience and position in the municipality will also be assessed. These indicators will be considered as a sign indication of the understanding of the roles and responsibilities of the respondents in the development and implementation of the municipal organisational performance management system, which will be treated as a latent factor.

4.7 Statistical Procedure

The testing of the hypotheses will be done through the Structural Equation Modelling (SEM), using the statistical programme EQS 6.1 for Microsoft Windows (Bentler, 1995). The following section briefly describes some of the benefits of this statistical procedure and provides a review of some SEM techniques and models that are relevant for this research.

4.7.1. Description of Structural Equation Modelling

The utilisation of Structural Equation Modelling provides two main advantages to quantitative research. On the one hand, SEM allows a distinction to be made between observed and latent variables and thus enables variables that are not directly observable to be included (Mueller, 1996; Kline, 1998). In this research,

measures of Accountability and Action; Clear and Balanced Strategic Framework; Communication; Managerial Leadership; and Organisational Culture are latent variables, while control variables (category of municipality, experience, gender, race and position in the organisation) are observed variables. On the other hand, the SEM framework allows for the estimation of simultaneous equations, the use of information about indirect effects - when mediator variables are included, total effects (total and indirect effects) or moderation effects (Bollen, 1989; Mueller, 1996).

In general terms, SEM models consider that the covariance matrix of the observed variables in a model (Σ) has a specific structure that can be expressed in terms of a set of parameters that derive from that model (Bollen, 1989), as follows: $\Sigma = \Sigma(\theta)$;

Where Σ = covariance matrix of the observed variables for the population;

θ = vector containing the parameters of the model

$\Sigma(\theta)$ = covariance matrix in terms of the parameters of the model.

Since the covariances for the entire population are not known (Σ) nor are the parameter covariances (θ), it is important to use the variance and covariance matrix for the sample (S), which is a consistent estimator of the matrix corresponding to the population. A SEM model is estimated by adjusting S to $\Sigma(\theta)$. In short, SEM seeks to minimise the differences between the covariances for the sample and the covariances that the model predicts (Bollen, 1989).

The methodology underlying the use of SEM is based on four steps (Kline, 1998). The first step (specification) defines the hypotheses, either by drawing a diagram of the model, or by formulating a series of equations. These equations define the model's parameters, and they correspond to presumed relations between observed or latent variables.

The second step is to determine whether the model is identified, that is, if it is possible to derive a unique estimate of each model parameter. A model is identified when there are more equations than parameters to be estimated. If a model fails to meet the requirements for its identification, attempts to estimate it may not be successful.

Thirdly, an analysis of the model should be carried out by obtaining estimates of the model's parameters. Although the most frequently used estimation method is maximum likelihood (ML), this procedure assumes multivariate normality in the variables. Robust estimators are recommended when the study deals with non-normal variables.

The last step is to evaluate the model fit, which involves determining how adequately the model accounts for the data. The model fit can be analysed through the chi-square value. The chi-square will not be significant if the hypothesised model has a good fit ($p \geq 0.05$). Researchers can use other fit indicators over and above this one. According to Bollen and Long (1993), researchers are advised to use a variety of qualitatively different indices because there is no "best" fit index. The most recommended and commonly used indices of absolute fit, like goodness-of-fit index (GFI) developed by Bentler and Bonett (1980) and the adapted goodness-of-fit index (AGFI), will be considered for use in this research. These two indices measure the relative amount of variance and covariance explained by the model, and their values should be as close to unity as possible. Other comparative fit indices, such as the Bentler-Bonnet's (1980) non-normed fit index (BBNFI), which reflects the proportion by which the model fit improves compared to a null model (random variables), Bentler's (1990) comparative fit index (CFI), which is an index resistant to errors associated with sample size, and the Root Means Square Error of Approximation (RMSEA) (Steiger, 1990), which estimates the difference between the original and reproduced covariance matrices in the population were considered. Values for BBNFI and CFI should be close to 1, while in the case of RMSEA, values inferior to 0.1 are considered a good fit. Finally, the parsimony index named chi-square $NC(x^2/df)$, which accounts for the degrees of freedom necessary to achieve the fit values of NC up to 1 or 2 are acceptable (Jöreskog, 1969).

Specific SEM models relevant for this study, such as the Confirmatory Factor Analysis (CFA), and SEM models with mediator and moderator variables will be addressed in the following sections.

4.7.2. An Overview of Some Structural Equation Modelling Models

The use of SEM entails two interrelated steps. The first is the estimation of the measurement model, which refers to the relationships between latent and observable variables. The second step is the estimation of the structural model, which specifies linkages between different latent variables (Bollen, 1989).

4.7.2.1. Measurement Models and Confirmatory Factor Analysis

The purpose of a measurement model is to describe how well the observed indicators serve as a measurement instrument for the latent variables. Indicators in measurement models can be viewed as endogenous variables, and the latent factors as exogenous variables. The associated procedure to assess the properties of measurement models is known as Confirmatory Factor Analysis (CFA), which has two main features (Kline, 1998). Firstly, each indicator in the CFA model is represented as having two causes; the latent factor that the indicator is supposed to measure, and all other sources of variance that are represented by the measurement error term. Secondly, the measurement error terms are independent of one another and the latent factors.

The specification of a CFA model (for the case of a single latent factor) involves establishing relationships between the indicators and the latent variable that they measure. In this regard, CFA models require the factor loading of one indicator to be fixed at 1.00 in order to give the latent variable the same metric as the indicators. In this study, all the variables, except control variables, are considered latent factors. For example, for the case of Quality of Direction each of its dimensions is represented as a latent factor whose indicators are a set of organisational performance management practices (Figure 4.4). Similarly, Quality of Implementation dimensions are latent constructs that explain the correlation between different indicators of PMS implementation, and so forth.

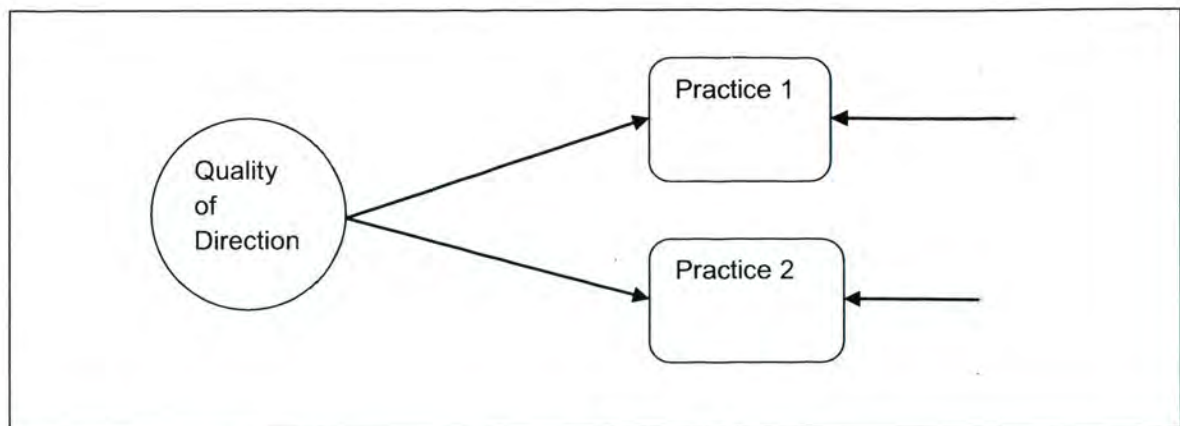


Figure 4.4: Example of measurement model for Quality of Direction.

The main application of CFA is the testing of the scale construct validity (Mueller, 1996). One of the four requirements inherent in the SEM methodology (specification, identification, analysis and evaluation) has been verified, which indicates that CFA models should include an interpretation of the factor loadings. This represents regression coefficients estimating the direct effects of the factors on the indicators, as well as their statistical significance (Kline, 1998). It should be noted here that CFA models can include either a single latent factor, higher-level latent factor, for example second-order latent variables, or several latent factors. In the latter case, correlations between latent factors, together with the comparison of a multiple factor model, should also be estimated with alternative models.

The following section describes the specific nature of the CFA models that are estimated in the research.

4.7.2.2. Structural Models

The specification of structural models allows for the testing of hypotheses on the causal effects between different latent variables. In these models, exogenous latent variables represent independent latent factors that are not predicted by any variable within the model. On the other hand, latent endogenous variables are determined by other variables and have a disturbance term that reflects the unexplained variance in this variable owing to all unmeasured causes.

The estimation of the structural models consists of two steps (Anderson & Gerbing, 1988). The first step entails assessing the fit of the proposed model to the observed data. If the model does not fit the data in an acceptable manner, individual hypothesis cannot be examined. In the second step, the statistical significance and magnitude of the structural parameters are evaluated, corresponding to the causal relationships between variables, with the reliability of the structural equations with the coefficient of determination, R^2 .

In this study, a structural model with direct causal effects between latent variables will be estimated to analyse the impact of behavioural factors on the development and implementation of municipal organisational performance management systems. However, other types of structural models may be required. For example, models with moderating effects may be required to estimate the extent to which organisational learning and growth strengthens the influence of management and leadership in the implementation and use of an organisational performance management system. Secondly, models with mediator variables between the dependent and independent variables will allow for the examination of the intermediate role of the implementation and use of an organisational performance management system on the behavioural factors – organisational performance relationship. The following section explains in greater detail the procedures associated with these SEM models.

4.7.2.2.1. Structural Models for Tests of Moderation

Many different approaches have recently been developed to test the existence of interaction effects between latent variables, including multiple group analysis (Yang et al., 2001), two-stage squares (TSLS) (Bollen, 1995, Bollen & Paxton, 1998), product indicant methods – using maximum likelihood and asymptotically distribution-free procedures (Jaccard & Wan, 1995, Jöreskog & Yang, 1996), and the latent variable score approach (Jöreskog et al., 1999; Jöreskog, 2000).

In this study, the latent variable score approach is chosen to test the interaction effect between behavioural factors on organisational performance. This method is based on the calculation of the latent variable scores of every individual in the sample. Latent variable scores satisfy the same relationships as the latent variables themselves (Jöreskog, 2000). They are unbiased and produce the same mean and

covariance matrix as the latent variables (Jöreskog, 2000). The latent interaction variable is created by multiplying the latent variable scores of the latent independent variables. This is a full information method, but it neither requires the introduction of products of observed variables, nor the imposition of the nonlinear constraints (Schumacker, 2002). Therefore, this method is easy to implement, and it is also useful when testing more complex structural equation interaction models.

To test for moderation effects it is necessary firstly to adjust the structural model without the latent interaction term (Bollen & Paxton, 1998). In this study, the Qualities of Direction and Implementation are considered determinants of organisational performance. The following step within this procedure determines the latent variable scores for these variables in order to calculate the product interaction term directly from these variables. Finally, a structural model to test for the direct effect of the interaction term on the dependent variable should be estimated. In the present research, the Qualities of Learning and Implementation and the product term between these variables are included as predictors of organisational performance (Figure 4.5). A statistically significant coefficient corresponding to the effect of the interaction term on the dependent variable would confirm that learning moderates the relationship between the Quality of Direction and organisational performance.

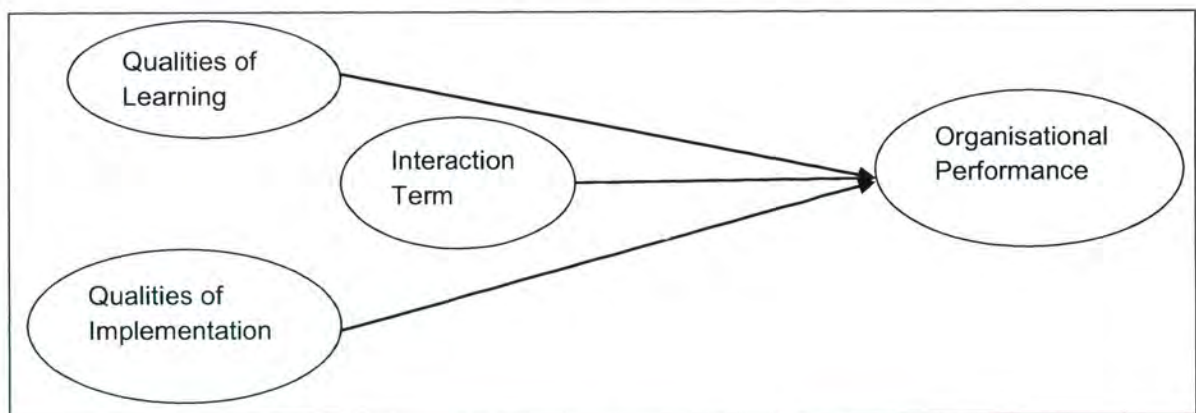


Figure 4.5: Structural Model with Interaction Term: Test of Moderation.

4.7.2.2.2. Structural Models for Tests of Mediation

The Structural Equation Modelling allows for the testing of mediation effects because both the direct and indirect effects can be simultaneously estimated (Baron and Kenny, 1986). In this study, this procedure will allow the researcher to verify whether the Quality of Direction mediates the correlation between the behavioural factors and

organisational performance. According to Holmbeck (1997), the three models must be estimated to test for mediation effects in SEM.

The first step prescribes the testing of a *direct-effect* model that tests the effect of the predictors on the dependent variables. In the context of this research, the direct effect of behavioural factors on organisational performance should be estimated (Figure 4.6). For mediation to exist, the path coefficients in the direct-effect model (that is, the direct influence of behavioural factors on organisational performance) must be significant in order to continue to test the mediation effect. If the structural coefficients in this model were not significant, no mediation effect could exist (Wei et al., 2003).

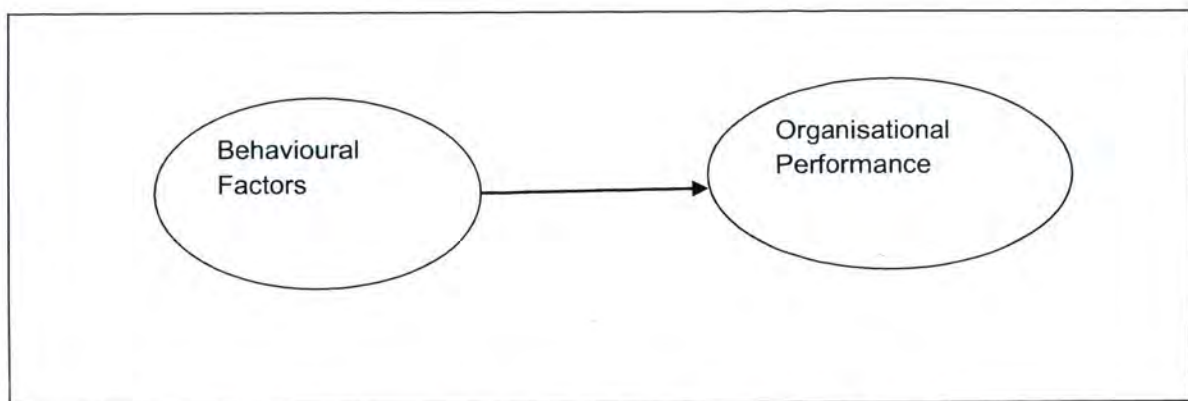


Figure 4.6: Step 1 in the Structural Models for Tests of Mediation: Direct-Effect Model.

In the second step, a *partially mediated* structural model is estimated. In this study, this model includes the effects of behavioural factors on the Quality of Direction, the influence of the Quality of Learning on organisational performance and the effects of behavioural factors on organisational performance (Figure 4.7).

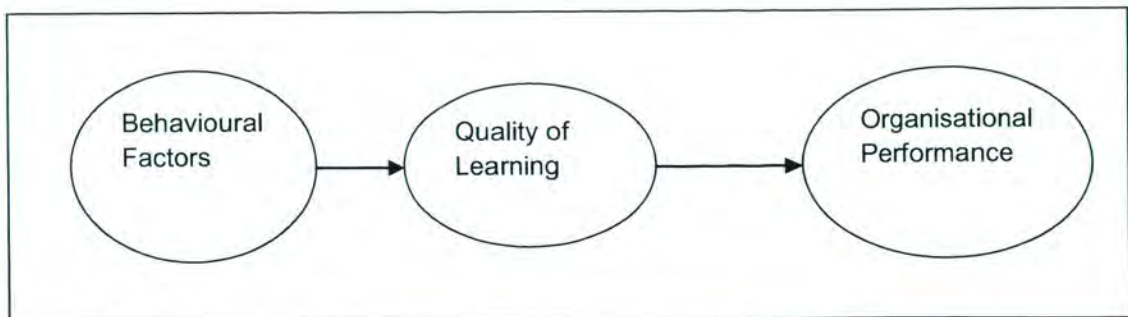


Figure 4.7: Step 2 in the Structural Models for Tests of Mediation: Partially Mediated Model.

The third step is to compare the partially mediated model with the *fully mediated* model, in which the direct effect from the independent variable (Behavioural Factors) on the dependent variable (Organisational performance) is constrained to zero. A significant difference between the partially and the fully mediated models indicates the best fit model. An alternative procedure to determine the nature of the mediation effect (partial versus full mediation) is to analyse the composition solution that is available in many statistical programmes. According to the decomposition of the effect results, the total effect of an independent variable on a dependent variable is divided into direct and indirect effects (Tabachnick & Fidell, 1996; Brown, 1997). A significant direct effect indicates that a certain amount of total effect of the independent variables on the dependent variable occurs through the mediator. Moreover, the significance or non-significance of the direct effect in this model can be used to determine whether it is a full or partial mediation.

4.8 Conclusion

This chapter presented the present the research design and methodology of the study and concludes a section on the research orientation. The experimental case study design of the study allows for in-depth contextual analysis and synthesis of the role played by behavioural factors in the effective implementation and use of the municipal organisational performance management system. This entails the *pre-testing* of the opinions of the subject, the administration of the stimulus, the *post-testing* of the opinions and behaviours the subjects and the testing for statistical significance of the observed differences, if any.

The purpose of this chapter has been to describe the research design underlying the fieldwork of this study. In so doing, the selection of the research sample and the data collection strategies have been presented. The sample in this study consists of local municipalities ranging from urban with high capacity to rural with low capacity. Data will be collected through a five-point Likert-type questionnaire that focuses on Management and Leadership Commitment, PMS Implementation and Organisational Learning and Growth. A total of 209 valid responses constitute the final sample for analysis.

The elaboration of the questionnaires completed by both managers and municipal councillors required the development of measurement scales for each construct. Thus the selection for each construct is described.

Finally, the chapter covered an explanation of the statistical procedures that will be used to test the hypotheses in the next chapter. The suitability of Structural Equation Modelling for the research was discussed at length. Various SEM models required to verify the causal relationships included in the hypotheses were also reviewed.

In the following chapter, the application of SEM data collected will enable the researcher to present the empirical findings of the study and relate these to the hypotheses proposed in chapter three.

CHAPTER FIVE

5. RESEARCH FINDINGS

5.1. Introduction

Chapter three provided a full description of the behavioural factors that influence the implementation of organisational performance management and the criteria for their regular use that were developed into questions. This chapter describes how the importance of these behavioural factors in the effective implementation of municipal organisational performance management systems was studied in the North West province by means of case studies, and it also presents the results of the research.

The study was conducted in municipalities of the North West province only. A prerequisite for participation in the study was that municipalities should have had implemented an organisational performance management system for at least seven years as prescribed by chapter six of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

In this chapter, the quantitative treatment of data is presented, and the main results are discussed. The main purpose of using the Structural Equation Modelling methodology is to achieve two objectives: to verify the validity of the measurement scales corresponding to the constructs in this study (Quality of Direction, Quality of Implementation, Quality of Learning and Organisational Performance), and to contrast the research hypotheses posited in chapter three.

In the second section of the chapter, the results of several tests will be presented to verify the construct validity of the scales used to measure the various concepts of the research. Tests were conducted specifically on dimensionality, reliability and validity.

A report on the results of the estimation of structural models will be presented in section two of the chapter. These models include the causal relationships that correspond to the hypotheses formulated in chapter three. The first group of hypotheses (H1 – H3) refers to the impact of various components of management and leadership on the quality of direction of municipalities. The second group of hypotheses (H4) focusses on the relevance of organisational learning (namely, accountability and action) to performance management. Finally, hypotheses H5 to

H9 revolve around the quality of implementation, which is made of the latent variables such as Balanced Strategic Performance Framework, Communication, and Organisational Culture.

5.2. Construct Validity of the Measurement Scales

The results of the analysis performed to verify the appropriateness of the selected scales to measure the underlying theoretical constructs (construct validity) are presented in this section. According to Schwab (1980:6), construct validity indicates the relationship between a construct (conceptual definition of a variable) and the operational procedure to measure or manipulate the construct. The construct validation process consists of various steps, such as analysis to the referent construct, demonstration of the internal consistency of the measure, and the analysis of both the convergence of the measure with other measures of the construct and divergences from measures of other constructs (Rogers & Wright, 1998:313). Tests were conducted for dimensionality, reliability and validity for each scale in this study.

The analysis of a scales dimensionality aims to verify whether the available data confirm the existence of the theoretical dimensions defined for a construct. These analyses can be performed by estimating several measurement models through Confirmatory Factor Analysis (CFA). By studying the fit of the model, factor loadings and their statistical significance, conclusions on the appropriateness of the indicators to measure the associated latent variables can be drawn.

Reliability refers to the consistency of test scores, that is, whether the application of a specific measure in different circumstances and contexts would provide the same results. Reliability indicators include the *Cronbach's Alpha*, as well as an index of composite reliability for research using SEM.

Validity tests include three different aspects. The first is content validity, which verifies whether the indicators associated with a construct are representative of the domain they are supposed to measure. Secondly, the evaluation of content validity is not a statistical matter, but depends rather on the researcher's opinion. Thirdly, convergent validity denotes whether different indicators measuring the same concept

are inter-correlated. Discriminant validity refers to the distinctiveness of the factors measured by different sets of indicators.

This section is divided into four sub-sections, each corresponding to a different scale (Quality of Direction, Quality of Implementation, Quality of Learning and Organisational Performance). The results of the three tests included in the construct validation process (dimensionality, reliability and validity) will be presented for each sub-section.

5.2.1. Construct Validity of the Quality of Direction Scale

Drawing from the arguments and reasoning presented in chapter three, this study conceptualises the Quality of Direction in accordance to Beer and Eisenstat (2000), Ho and McKay (2002) and De Waal (2002) model. The conceptualisation considers Quality of Direction as a multidimensional concept, the managerial leadership practices factors of which are grouped as follows: Management and Leadership Commitment; Involvement of Employees; Agreement on Strategy and Success Map; Management Style.

5.2.1.1. Dimensionality of the Quality of Direction Measurement Scale

The four dimensions of the Quality of Direction are regarded as interrelated latent factors, the indicators of which are a set of organisational performance management practices. The analysis of the dimensionality of the scale was carried out in two steps. The unidimensionality of each factor of the Quality of Direction was verified in the first step. Secondly, a four factor model comprising all the dimensions of the "Quality of Direction" strategy as correlated factors was tested.

In order to confirm the unidimensionality of the four dimensions (namely, all the items are the indicators of the same concept), four Confirmatory Factor Analyses (CFA) were conducted, one for each Quality of Direction first order factor: Managerial Leadership Commitment (Commitment); Involvement of Employees (Involvement); Agreement on Strategy and Success Map (Agreement); and Management Style (Style). Some indicators were eliminated in the first estimation of the unidimensional models in accordance with the values of the fit indices and the parameter reliability. In particular, factors related to the "Management Failure" to implement and use the

organisational performance management system and the “Use of the Performance Information” were eliminated. The rationale behind the elimination of these factors was that once the management and leadership are committed to the process of implementing and using the organisational system there will be no reason for them to provide incorrect performance information or results because they are determined to ensure that the system is effective. “Management Failure” and the “Use of Performance Information” are, therefore, not critical elements to foster managerial leadership commitment, but rather reinforcing factors that encourage management performance once other motivational elements, such as empowerment, have been introduced prior the development of the system.

The overall χ^2 for the adjusted models was not statistically significant ($p \geq 0.05$) and the values of the fit indices fell within the commonly accepted limits (Table 5.1.)

Table 5.1: Test Statistics for the Confirmatory Factor Analysis (CFA) Report

Model converged normally after 86 iterations using ML	
Minimum Function (MF) Chi-square	1144.642
Degrees of freedom	377
P-value	0.0000
Chi-square test baseline model:	
Minimum Function (MF) Chi-square	3003.624
Degrees of freedom	435
P-value	0.0000
Full model versus baseline model:	
Comparative Fit Index (CFI)	0.701
Tucker-Lewis Index (TLI)	0.655
Log-likelihood and Information Criteria:	
Log-likelihood user model (H0)	-6463.908
Log-likelihood unrestricted model (H1)	-5891.587
Akaike (AIC)	13103.815
Bayesian (BIC)	13372.203

Root Mean Square Error of Approximation (RMSEA):		
RMSEA		0.114
90 Percent Confidence Interval	0.107	0.122
P-value RMSEA $\leq$ 0.05		0.000
Standardized Root Mean Square Residual (SRMR):		
SRMR		0.088

Since the scales corresponding to the identified latent variables had only one indicator, the models were saturated (0.d.f) and the fit was perfect. To provide a more accurate interpretation of this fit, a two-factor model, where these dimensions were to be interrelated, was also estimated.

Having verified the unidimensionality of the scales, a three-factor CFA was done to corroborate the proposed dimensionality of the Quality of Direction, as shown above. This model consists of four first order latent factors with each indicator loading onto one of the four latent factors. Error variances were not allowed to correlate, and for each factor the path was constrained from one item to 1.00 for purposes of statistical identification. The results indicated that the model provided a good fit for the data (Table 5.1).

Item loadings and factor correlations are presented in Table 5.2. All item loadings are statistically significant. According to McDuffie (1995) and Guest et al. (2004), since the entire management of an organisation is made up of overlapping and interrelated practices, clear factors are unlikely to emerge. In this research the internal benchmarking initiative is considered not only to reflect performance measurement but also the emphasis municipalities should place on the improvement of service delivery. This is consistent with the conceptualisation of internal benchmarking provided by researchers like Ho and McKay (2002), Maisel (2001), Johnston et al., (2002) and De Waal (2002). Nonetheless, the relative importance of this factor is higher for the Quality of Implementation dimension, according to the

value of the item loading corresponding to variable F6 (Use of the Performance Information).

Table 5.2: The Results of the Confirmatory Factor Analysis (CFA) Report

Model estimates:						
Latent variables	Estimate	Std.err	Z-value	P(> z)	Std.lv	Std.all
F1 =~	Management Systems					
V1.111	1.000				0.912	0.799
V1.12	1.139	0.103	11.036	0.000	1.039	0.829
V1.13	1.007	0.105	9.616	0.000	0.919	0.738
V3.1	1.011	0.104	9.735	0.000	0.923	0.745
F2 =~	Effective PMS					
V1.81	1.000				0.508	0.554
V1.141	0.991	0.183	5.410	0.000	0.504	0.552
V2.11	1.019	0.181	5.637	0.000	0.518	0.586
V3.61	1.890	0.275	6.869	0.000	0.961	0.824
V3.81	0.833	0.202	4.133	0.000	0.423	0.390
V4.711	1.727	0.260	6.633	0.000	0.878	0.766
F3 =~	PMS Use					
V1.7	1.000				0.858	0.721
V1.16	1.054	0.121	8.730	0.000	0.905	0.737
V2.3	1.086	0.111	9.742	0.000	0.932	0.826
V3.3	0.815	0.108	7.541	0.000	0.699	0.636
V4.8	1.049	0.131	7.997	0.000	0.901	0.675
V3.41	0.925	0.120	7.701	0.000	0.794	0.650
F4 =~	PMS Implementation					
V1.1	1.000				1.037	0.729
V2.4	0.717	0.085	8.475	0.000	0.743	0.739
V3.9	0.909	0.105	8.689	0.000	0.943	0.760
F5 =~	Internal Benchmarking					
V1.5	1.000				0.568	0.438
V2.2	1.452	0.281	5.173	0.000	0.825	0.606
V2.6	2.180	0.402	5.422	0.000	1.239	1.009
F6 =~	Use of the Performance Information					
Race	1.000				1.155	0.986
Experience	0.591	0.173	3.410	0.001	0.682	0.630

F7 =~	Experience					
V1.6	1.000				0.749	0.689
Municipality	0.635	0.203	3.123	0.002	0.475	0.287
V4.3	1.158	0.167	6.929	0.000	0.867	0.709
F8 =~	Expected Reporting System (Performance Results/Report)					
V5.11	1.000				0.634	0.544
V2.71	1.422	0.230	6.196	0.000	0.901	0.730
V2.51	1.359	0.217	6.259	0.000	0.861	0.745
Latent covariances:						
F1 ~~	Management Systems					
F2	0.272	0.061	4.427	0.000	0.587	0.587
F3	0.580	0.102	5.686	0.000	0.741	0.741
F4	0.553	0.114	4.871	0.000	0.585	0.585
F5	0.255	0.069	3.672	0.000	0.492	0.492
F6	0.179	0.094	1.910	0.056	0.170	0.170
F7	0.385	0.087	4.449	0.000	0.564	0.564
F8	0.380	0.084	4.518	0.000	0.657	0.657
F2 ~~	Effective PMS					
F3	0.236	0.057	4.155	0.000	0.541	0.541
F4	0.310	0.073	4.258	0.000	0.588	0.588
F5	0.139	0.042	3.356	0.001	0.483	0.483
F6	0.206	0.060	3.406	0.001	0.351	0.351
F7	0.261	0.060	4.367	0.000	0.686	0.686
F8	0.255	0.060	4.276	0.000	0.792	0.792
F3 ~~	PMS Use					
F4	0.676	0.123	5.471	0.000	0.759	0.759
F5	0.224	0.064	3.514	0.000	0.459	0.459
F6	0.205	0.089	2.303	0.021	0.207	0.207
F7	0.330	0.081	4.081	0.000	0.513	0.513
F8	0.269	0.071	3.807	0.000	0.495	0.495
F4 ~~	PMS Implementation					
F5	0.392	0.099	3.955	0.000	0.665	0.665
F6	0.224	0.112	2.002	0.045	0.187	0.187
F7	0.506	0.109	4.656	0.000	0.651	0.651
F8	0.445	0.101	4.406	0.000	0.677	0.677
F5 ~~	Internal Benchmarking					
F6	0.134	0.059	2.255	0.024	0.204	0.204

F7	0.279	0.073	3.813	0.000	0.656	0.656
F8	0.223	0.063	3.554	0.000	0.620	0.620
F6 ~~	Use of Performance Information					
F7	0.230	0.090	2.564	0.010	0.266	0.266
F8	0.200	0.075	2.648	0.008	0.273	0.273
F7 ~~	Experience					
F8	0.367	0.082	4.464	0.000	0.774	0.774
Latent variances:						
F1(Management Failure)	0.832	0.145	5.750	0.000	1.000	1.000
F2 (Eff. PMS	0.258	0.073	3.523	0.000	1.000	1.000
F3 (PMS Use)	0.737	0.147	5.002	0.000	1.000	1.000
F4(PMS Impl)	1.075	0.218	4.942	0.000	1.000	1.000
F5(Int Bench)	0.323	0.115	2.806	0.000	1.000	1.000
F6 (Abuse)	1.333	0.400	3.335	0.000	1.000	1.000
F7 (Experience)	0.561	0.132	4.262	0.000	1.000	1.000
F8 (Reports)	0.401	0.119	3.386	0.000	1.000	1.000
Residual variances:						
V1.111	0.473	0.070	6.797	0.000	0.473	0.362
V1.12	0.490	0.078	6.280	0.000	0.490	0.312
V1.13	0.707	0.095	7.464	0.000	0.707	0.456
V3.1	0.681	0.092	7.399	0.000	0.681	0.444
V1.81	0.583	0.071	8.229	0.000	0.583	0.693
V1.141	0.578	0.070	8.234	0.000	0.578	0.695
V2.11	0.511	0.063	8.117	0.000	0.511	0.656
V3.61	0.436	0.074	5.876	0.000	0.436	0.321
V3.81	1.000	0.116	8.590	0.000	1.000	0.848
V4.711	0.544	0.079	6.852	0.000	0.544	0.414
V1.7	0.680	0.088	7.683	0.000	0.680	0.480
V1.16	0.688	0.091	7.570	0.000	0.688	0.457
V2.3	0.405	0.062	6.543	0.000	0.405	0.318
V3.3	0.718	0.089	8.115	0.000	0.718	0.595
V4.8	0.970	0.122	7.948	0.000	0.970	0.544
V3.41	0.862	0.107	8.061	0.000	0.862	0.577
V1.1	0.949	0.134	7.093	0.000	0.949	0.469
V2.4	0.458	0.066	6.974	0.000	0.458	0.453
V3.9	0.649	0.097	6.707	0.000	0.649	0.422

V1.5	1.363	0.156	8.719	0.000	1.363	0.809
V2.2	1.171	0.144	8.119	0.000	1.171	0.632
V2.6	-0.029	0.130	-0.221	0.825	-0.029	-0.019
Race	0.038	0.368	0.103	0.918	0.038	0.028
Experience	0.708	0.152	4.673	0.000	0.708	0.603
V1.6	0.619	0.096	6.423	0.000	0.619	0.525
Municipality	2.524	0.293	8.618	0.000	2.524	0.918
V4.3	0.743	0.122	6.093	0.000	0.743	0.497
V5.11	0.956	0.118	8.120	0.000	0.956	0.704
V2.71	0.714	0.106	6.754	0.000	0.714	0.468
V2.51	0.595	0.091	6.527	0.000	0.595	0.445

In addition, scale dimensionality tests can be complemented by a set of comparisons with nested models. Nested models include parameter restrictions as compared to a full model. Chi-square difference tests measure the significance of the difference between nested and full models. When the P-values associated with the Chi-square difference tests are less than or equal to 0.05, the compared SEM models are statistically different. The statistical model indicates that the data collected was unable to confirm the theoretical model, which is not a good fit. Furthermore, the Root Mean Square Error of Approximation (RMSEA) is 0.114, which also confirms this failure. According to Table 5.1, the Standardised Root Mean Square Residual (SRMR) also exceeds the minimum requirement, which also supports the above stated failure.

In this study, the three-factor model of the behavioural factors was compared to four alternative (nested) models. Firstly, a unidimensional model in which all the variables were the indicators of a single factor was estimated. The conceptualisation of behavioural factors interprets behavioural factors as a single concept (first-order latent factor) that underlies the use of the organisational performance management systems. Secondly, a three-factor model where the behavioural factors' dimensions were not correlated was also estimated. A good fit of this model would indicate that the adoption of some practices in one of the behavioural factors dimensions does not imply that the organisation follows certain practices in other areas (that is, there is no horizontal fit or internal congruence in the definition of an effective performance

management system). Finally, a two-dimensional model where the indicators of the two factors showing higher correlations (Table 5.2) and where indicators of a single factor that was correlated with the third factor was estimated were used. With these final models, an attempt was made to show that behavioural factors strategy dimensions measure different models, despite being correlated. The Chi-square difference tests indicated that the three-factor, with correlated factors, was the solution that has shown the best fit. The Chi-square test baseline model is a good model even though it is not always trustworthy.

Thus, the data confirm that the behavioural factors are structured according to the model developed by Beer and Eisenstat (2000). Consequently, the presence of the three interrelated dimensions in the organisational performance management strategy is defended. The first dimension refers to the importance that organisations must place on the management and leadership of performance management by carefully selecting future managers and leaders and by providing exhaustive training and developmental activities. The second dimension is measured in this study by several indicators that reflect the implementation of organisational performance management, covering measures of monitoring and evaluation, benchmarking, improvement plans, and others focussed on the enhancement of the quality of direction of the organisation. Finally, the third dimension is a latent factor that captures the correlation between behavioural factors and the organisational performance.

5.2.1.2. Reliability of Quality of Direction Measurement Scales

To test the reliability of the proposed measurement scale, the Cronbach's alpha and a measure of the composite reliability of the scales were analysed. The values of the Cronbach's alpha were 0.701 and 0.655. The reliability of these scales is similar to those obtained by previous studies measuring organisational performance management systems, which reported alphas ranging from 0.65 to 0.88

The composite reliability index takes into account the relative importance of each indicator in the factor to which it belongs. The composite reliability of the scales was 0.799 (Management Style), 0.722 (PMS Use), 0.729 and (PMS Implementation). These values were close to 0.900, which is a generally accepted value. Although this

scale shows a lower reliability, the elimination of additional indicators would negatively affect the content validity of the scale.

5.2.1.3. Validity of Quality of Direction Measurement Scales

5.2.1.3.1. *Content Validity*

Areas of organisational performance management that should be included in each dimension were identified from the literature reviewed in chapter three of this study. In order to cover the content of these areas, items included in previous scales that were published and empirically validated in subsequent studies were adopted. For example, to measure the managerial leadership commitment of the organisational behaviour strategy, practices associated with strategic planning and decision-making were considered. The literature review assisted in ensuring that the scales developed to measure the behavioural factors capture all the aspects of this concept.

5.2.1.3.2. *Convergent and Discriminant Validity*

In order to test the convergent validity of the scale, the Bentler-Bonett co-efficient was analysed. Values over 0.9 indicate the convergent validity of the scale. As shown in Table 5.2, the Bentler-Bonett index was higher than 0.9 for the scales of the behavioural factors model. Authors like Bollen (1998) recommend the study of the factor loadings as an additional test of convergent validity. Statistically significant factor loadings would also reflect the convergent validity of the scale. All the Z-values of the factor loadings (Table 5.2) were above the critical value of 1.96. It can thus be concluded that the scales to measure the different aspects of behavioural factors show convergent validity.

The analysis of the discriminatory validity of the model was carried out by formulating CFA with pairs of dimensions. The first CFA included two correlated dimensions. The second CFA set the correlation between the dimensions at 1.00. Discriminant validity can be determined by performing a chi-square difference test between the two models. A significant chi-square difference would imply that the model in which the correlation is set at 1.0 does not appropriately fit the data; that is, the indicators of both dimensions are not appropriate to measure the same factor and, as such, they show discriminant validity.

The results of these analyses are shown in Table 5.2. The first value indicates the chi-square value and the degree of freedom for the model in which the correlation is set at 1.0. Values in the third column indicate the chi-square values and degrees of freedom of the model in which the two dimensions are correlated. It was verified that the differences in the chi-square models were statistically significant by performing a chi-square difference test between each pair of the dimensions. This means that despite the correlation between the dimensions of the behavioural factors each of them represents a distinct concept.

5.2.2. Construct Validity of the Quality of Implementation Scale

The concept of the Quality of Implementation introduced in chapter three comprises latent variables like “Balanced Strategic Performance Framework”; “Communication” and “Organisational Culture”. These dimensions are considered to be interrelated latent factors. The construct validity of the “Quality of Implementation” scale was conducted through three analyses, as in item 5.2.1 (Quality of Direction) above, namely dimensionality, reliability and validity.

5.2.2.1. Dimensionality of the Quality of Implementation Measurement Scale

To test the “Quality of Implementation” measurement scale, the unidimensionality of each “Quality of Implementation” was examined by assessing the fit indices, parameter validity and statistical significance of three single-factor CFAs.

The model was saturated, and it showed a perfect fit. In order to analyse the fit of these models in greater detail, an additional CFA in which the three dimensions were correlated first-order latent factors was formulated. As can be observed in Table 5.1, none of the chi-square values corresponding to these models was statistically significant. Fit indices also verified the unidimensionality of the three scales.

Furthermore, a general model of the “Quality of Implementation”, including the inter-correlated factors, as depicted in Figure 5.1, was evaluated. For this model, the Satorra-Bentler chi-square was not statistically significant, and the values of the fit indices were within those generally accepted. These results support the proposed dimensionality of the “Quality of Implementation” measure.

The factor correlations were all statistically significant, as were the items loadings, which ranged from 0.505 to 0.936. Table 5.2 shows the results of the complete “Quality of Implementation” model.

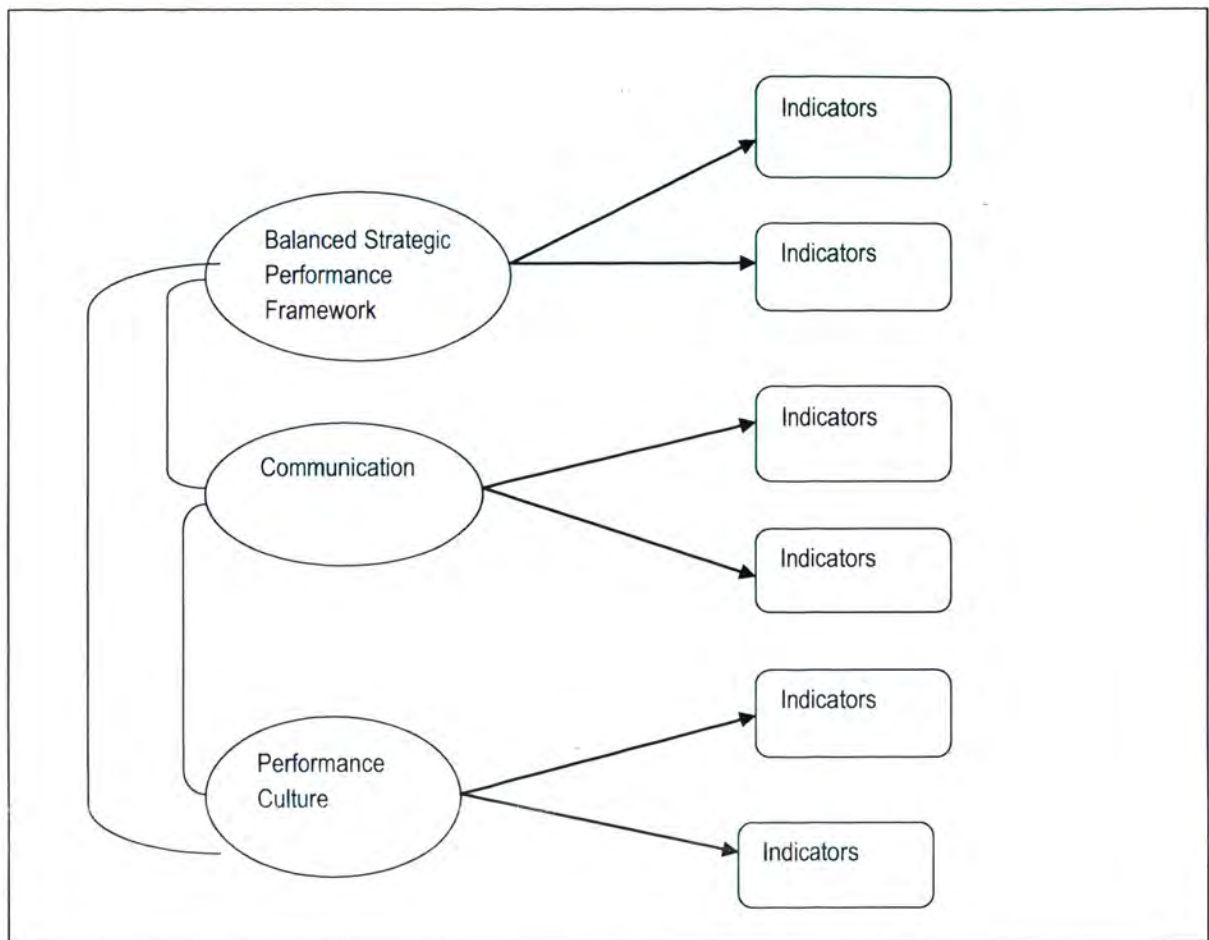


Figure 5.1: Model of the Quality of Implementation Scale

The three-factor model of the “Quality of Implementation” was compared to three alternative models. The first model considered that all variables were indicators of a single latent factor, thus assuming that the “Quality of Implementation” is a single concept explaining the observed correlation of behavioural factors in all aspects. The second alternative model included the three dimensions of the “Quality of Implementation” as non-correlated factors. If this model showed a better fit than the proposed model, it would imply that municipalities that show effective PMS implementation in one of the dimensions will not necessarily do so in other dimensions. The remaining three alternative models considered the possibility that dimensions showing stronger correlations were, in fact, part of a single dimension. In

this consideration, items from the two dimensions showing higher correlation as indicators of a single factor that was correlated with the other two dimensions were included.

For the alternative models, the fit indices indicated a poor fit, except for the alternative models for which the value of the χ^2 is close to acceptable. However, a chi-square difference test comparing the fit of the alternative models with the proposed model indicated the superiority of the latter.

These results support the conceptualisation of the “Quality of Implementation” from the RBV perspective. According to this approach, the “Quality of Implementation” is a multidimensional concept, referring to both the current capacities of leaders and managers to implement PMS and their willingness to change and to collaborate with others. The fit of the three-factor models confirms that the “Quality of Implementation” dimensions are interrelated latent factors that underlie the observable characteristics of managers and leaders.

5.2.2.2. Reliability of the Quality of Implementation Measurement Scale

The reliability of the Quality of Implementation measurement scale was analysed attending to the Cronbach's alpha and the composite reliability index. All the scales indicated a high reliability, since the values of the Cronbach's alpha and the composite reliability indices were above 0.7

5.2.2.3. Validity of the Quality of Implementation Measurement Scale

Several items to measure the “Quality of Implementation” were considered. These were adapted from published scales in order to capture the meaning of performance management system implementation. The use of items from published scales to capture the meaning of performance management system implementation allows the verification of the content validity of the “Quality of Implementation” concept scales. However, future research should investigate the appropriateness of the proposed scales. To test the convergent validity of the scales, the Bentler-Bonett coefficient was considered in the same way as the Quality of Direction scales. This coefficient compares the chi-squares of the proposed model with that of an alternative model, in which the indicators are not correlated.

Secondly, to test the discriminant validity of the scales (that is, whether measures of theoretically different constructs do not correlate highly with each other), the validity coefficients have to be higher than all the values in the column and row in which they are located.

To analyse the discriminant validity of the dimensions in greater detail, an alternative test, based on the comparison of the management and leadership dimension with the other dimensions of the “Quality of Implementation” concept, is proposed. Firstly, a model considering the possibility that these two dimensions may be correlated was formulated. This was followed by a model where this correlation was set at 1.0. Following this process, a chi-square difference test between the two models was performed. A statistically significant difference between the two models ($d.f = 1$) would imply the existence of discriminant validity. The chi-square difference test confirmed the discriminant validity of the “Quality of Implementation” scale. That is, the model in which the two dimensions were different factors provided a better fit than the model in which the indicators of the two dimensions belonged to a single concept.

5.2.3. Construct Validity of the Quality of Learning Scale

Organisational learning was measured by using the scale developed by Ho and McKay, (2002), Kaplan and Norton (2002) and De Waal (2002), who proposed factors like internal benchmarking, executive and management support systems and continuous improvement plans to assess perceptions by managers of the context in which organisations operate. The dimensionality, reliability and validity of the Quality of Organisational Learning were examined by assessing the fit indices, parameter validity and statistical significance of three single-factor CFAs, like in 5.2.1 above.

5.3. Data Collection Sample

The target sample used was people from all managerial levels and members of the executive committees because they are supposed to be involved in strategic performance management on a daily basis. According to the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), these people are expected to develop

and implement the municipal organisational performance management system. Lower level employees were considered on a small scale because they are generally involved in project operations.

There are two reasons for using the time limit of seven years and the target sample. Firstly, the development and implementation of the performance management system should be firmly imbedded in the minds of the respondents so the questions about the system should be answered with ease. The second reason is that municipalities are expected to have sufficient practical experience (of around ten years) with the implementation of the performance management system, so questions about its implementation and use could also be answered.

According to Cooper and Schindler (2003), a sample of five (5) percent of the total population is significant enough for testing hypotheses. There are twenty four (24) municipalities in the North West Province with an average number of five (5) senior managers, ten (10) unit managers and seven (7) executive committee members. The population for the research project consists of all managers in municipalities and executive committee members in the province, which is an average of 528 people. The total sample selected was 157, which is 30 percent of the population. The sample is significant in terms of municipalities in the North West province, if the guideline of Cooper and Schindler (2003) is followed. But all assumptions will be relevant only to the population under examination.

The following local municipalities responded positively to the request for participation in the study: City of Matlosana, which is largely urban with high capacity; City of Tlokwe, which is largely urban with medium capacity; Greater Taung, which is rural but has medium capacity; Moses Kotane, rural with medium capacity; Tswaing, semi-urban with low capacity; Rustenburg, urban with high capacity; and Ventersdorp, semi-urban with low capacity.

Managers responsible for organisational performance management were appointed as research coordinators because they are closely involved in its development and implementation. They were contact persons responsible for collecting the completed questionnaires and scheduling meetings and discussion groups.

The fieldwork was performed over a period of twelve months because selected people in municipalities were reluctant to participate in the study, and the data collection process was, therefore, very slow and tedious. Data was collected through the completion of an anonymous questionnaire, interviews (individual and focus group), document search, and participant observation.

The questionnaire was distributed to senior managers and members of executive committees because they are supposed to have a performance management system at their disposal. The questionnaire focussed on the purposes for which they used the performance management system and their attitude towards the use of performance management system. A positive response of one hundred percent (100%), that is, one hundred and fifty seven (157) questionnaires, was obtained.

Interviews of between one to three hours each were conducted with seven (7) Performance Management Systems (PMS) Managers of each municipality that participated in the study, and a focus group meeting attended by thirteen (13) Core Team members was also held.

A document search took place using a structured review list of the management reports, the annual reports, the management information system, user manuals and process descriptions of the reporting process, project documentation, and minutes of both the management team and municipal council meetings about the performance of the municipality. Reports of all interviews were submitted to the interviewees for their confirmation.

The information gathered during the data collection phase was integrated in a case study description. The case study description contains a table of hypotheses, the behavioural factors, and it denotes whether the case study municipality satisfied a particular behavioural factor. Scores were awarded using the following score scheme:

- + = the behavioural factor is satisfied;
- 0 = the behavioural factor is partially satisfied;
- = the behavioural factor is not satisfied; and

NA = insufficient basis to draw a conclusion whether the behavioural factor is satisfied or not.

A score of a plus (+) was awarded if the results of a particular behavioural factor from interviews, document or primary research and the questionnaire were positive, and if the results of the behavioural factor were negative, a score of minus (-) was awarded. If the results were tied (equal) or not clearly in a particular direction a score of 0 was awarded and a score of **NA** was given if the results were too insufficient to draw a conclusion about whether the behavioural factor was satisfied or not.

The case study description also contained an evaluation of whether the criteria for regular use were satisfied, again by combining and discussing all data collected. A final score was calculated by taking the average of all criteria scores. The following score scheme was used:

- + = the criterion was clearly improved by the performance management system use;
- 0 = it was unclear whether the criterion was improved by the performance management systems use;
- = the criterion was clearly not improved by the performance management system use.

The scores for the human elements and criteria for regular use are provided in the case study description in the next section. After the case study description was finalised and approved, the final analysis took place. The results from the case studies were collected and compared with one another. The results from the final analysis were used to answer the research questions posed in chapter 1.

5.4. Description of Case Study Municipalities

Municipalities form the backbone of local government in South Africa. They are established in accordance with the requirements of the Constitution Act, 1996 (Act No. 108 of 1996). Local government has undergone a major transformation since the dawn of the democratic dispensation in the country. Chapters 5 and 6 of the

Municipal Systems Act, 2000 explained the statutory and regulatory framework that brought about this transformation.

The changes were aimed at addressing the following anomalies that were inherited by the democratic government:

- Distorted settlement patterns that are functionally inefficient;
- Uneven distribution of municipal capacity;
- Little commitment to building sustainable municipal capacity;
- Disincentives for skilled staff to work in remote, rural or small areas;
- Sharp social divisions within communities;
- Extreme concentration of taxable economic resources in formerly white areas;
- Huge backlogs in services infrastructure;
- Great spatial separation and disparities between towns and townships;
- Entrenched models of decision-making, administrative and service delivery;
- Municipalities which are unable to access private sector resources for development due to poor credit worthiness.

The apartheid regime did not account to the communities they were supposed to serve. There were no processes, systems and mechanisms in place to monitor and evaluate the government performance. Municipalities did not have to produce annual reports and submit them to the ministry of provincial and local government and parliament or even account to the communities they served. All these anomalies were corrected by the democratic government that came into being in 1994 through the enactment of various pieces of local government legislation.

The organisational structures of all the municipalities, as depicted in figure 5.2, are almost similar owing to the functions prescribed by the legislation. There are three parties that form the structure of a municipality, namely the community; the council and the administrators. The administrators provide general operating support services and implement the resolutions adopted by the council. The municipal council has the executive and legislative authority and, therefore, provides strategic

political direction. The community identify their needs and play an oversight role to ensure that the agreed upon key performance indicators (KPIs) and targets are achieved.

The Department of Provincial and Local Government prescribed the five key performance areas listed below as stipulated in the Local Government five (5) years strategic agenda. These are in line with section 152 of the Constitution Act, 1996 (Act No. 108 of 1996).

1. Municipal Transformation and Organisational Development
2. Basic Service Delivery and Infrastructure Development
3. Local Economic Development
4. Municipal Financial Viability and Management
5. Good Governance and Public Participation

Local government transformation brought about by the regulatory and statutory framework forced municipalities to improve the quality of the services they provide to local communities. A performance management system was, therefore, needed to better support municipalities in their quest to provide effective and sustainable services. The main goal of the performance management system is the quality of the management control and information, and it functions in such a way that the strategic (IDP) and operational (SDBIP) plans could be monitored with objective, reliable, timely and consistent information. Additionally, this information was supposed to make adjustments to the plans, if and when necessary.

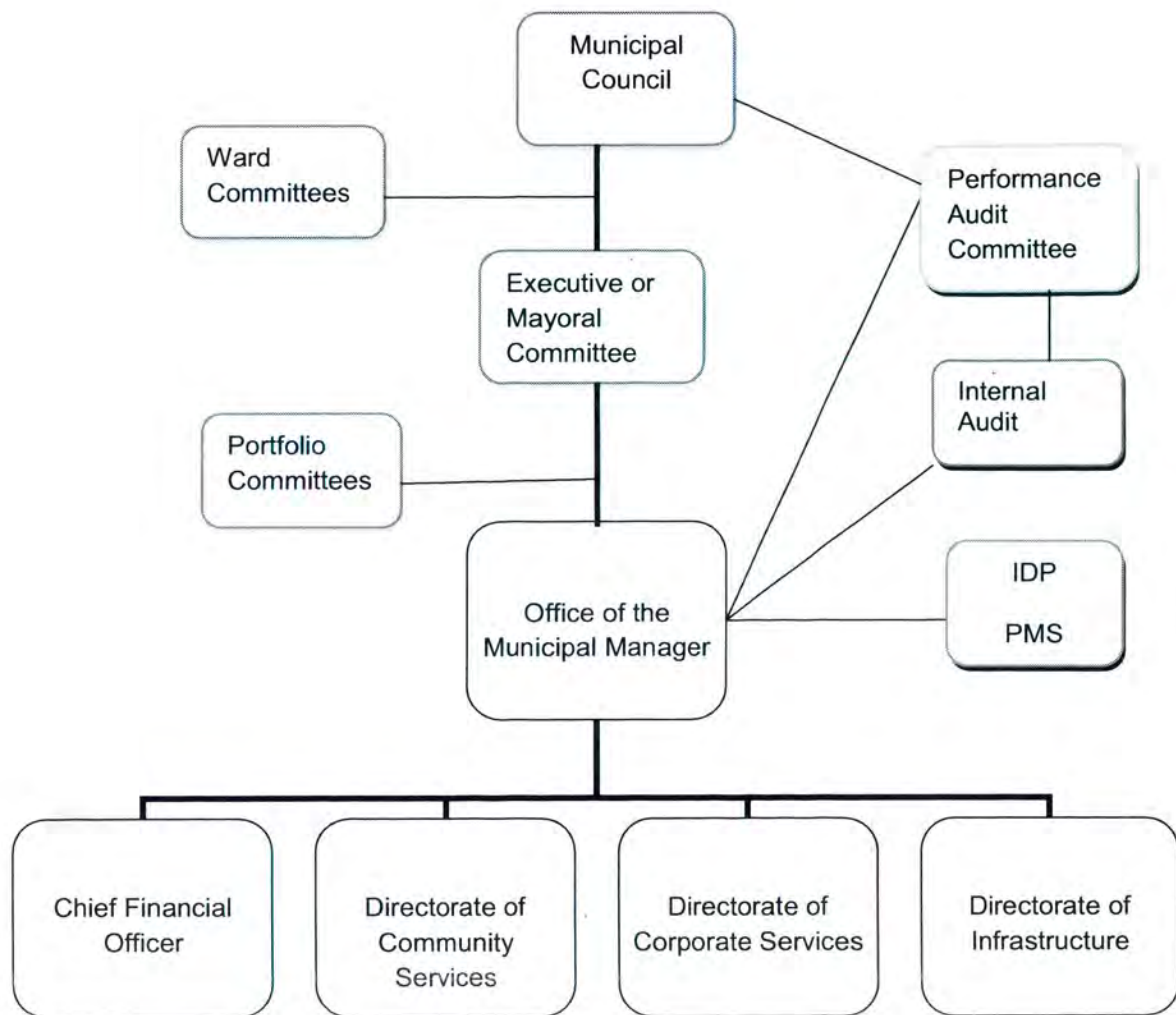


Figure 5.2: Simplified Municipal Organisational Structure.

The development and implementation of the municipal organisational performance management systems project was expected to commence during June 2001, in three phases. These were:

Phase 1: Evaluation

The Minister of Provincial and Local Government appointed a task team lead by Simeka Consulting Group to develop key performance indicators, which were intended to encourage municipalities to focus on specific development and service delivery challenges. These indicators were checked by the project team for simplicity, reliability, relevance and completeness. The evaluation also determined whether the indicator could be influenced by managers. The following eight general

key performance indicators satisfied the evaluation criteria, and the minister, therefore, prescribed them for use by all municipalities in terms of section 43 of the Municipal Systems Act, 2000. These are contained in the Municipal Planning and Performance Management Regulations, 2001, and are:

- (a) the percentage of households with access to basic levels of water, sanitation, electricity and solid waste removal;
- (b) the percentage of households earning less than R1100 per month with access to free basic services;
- (c) the percentage of the capital budget of a municipality actually spent on capital projects identified for a particular financial year in terms of the integrated development plan of the municipality;
- (d) the number of jobs created through the local economic development initiatives of the municipality including capital projects;
- (e) the number of people from employment equity target groups employed in the three highest levels of management in compliance with an approved employment equity plan of the municipality;
- (f) the percentage of the budget of a municipality actually spent on implementing its workplace skills plan; and
- (g) financial viability as expressed by three financial ratios.

Phase 2: Design and Implementation

Two municipalities in the North West province were selected to be used as pilot projects for the development and implementation of the organisational performance management system. These were Tlokwe and Ditsobotla Local municipalities, formerly Potchefstroom and Lichtenburg respectively.

Municipalities were expected to employ PMS Managers who were supposed to champion the project of the development and implementation of the organisational performance management system. They were responsible for the identification of and making of concise definitions for municipal specific key performance indicators over and above the eight prescribed general key performance indicators. They were further expected to track down the manner of data collection, registration, and calculation for the indicators, as well as verifying the results with the municipality.

They were also expected to oversee the programming of software needed for the calculation of the KPIs in the automated IT system.

An implementation plan was developed and the management and municipal councillors were informed about the project and the key performance indicators. The reporting of the key performance indicators was integrated into the regular management reporting. Managers and municipal councillors were trained in using the new system and reporting regime.

Phase 3: Aftercare and Maintenance

In the aftercare and maintenance phase, the organizational performance management system was evaluated. The results of this evaluation were that the performance management system did not sufficiently match the needs of the users; the KPI reporting was not yet being used enough during the daily activities of the managers. The reasons for this were that most managers were not involved in the choice and setting of the KPIs; the frequency with which managers were expected to use the system was tedious; the labour unions were opposed to the implementation of the performance management systems because the perception was that they would be used by management and councillors to settle personal scores. It was decided to increase the participation of stakeholders in the development of the system to resolve the discrepancy.

As a reaction to these challenges the minister decided to include the KPIs in the performance agreements of all municipal managers and all those managers who directly report to them. These were agreed upon between each manager and the municipal council on an annual basis. In this way, managers would be encouraged to notice and use the indicators.

5.5. Results of the Case Studies

On the basis of interviews and document research, the behavioural factors were scored for three stages: (1) starting, (2) development and (3) use. The criteria for regular use were also scored. A description of the results of the case studies is given in this section.

5.5.1. Starting Stage

A negative attitude towards performance management existed in local government at the beginning of the project. The main reason for this attitude was that there was not enough communication with the labour unions to explain the rationale behind the system and its benefits. The employees, therefore, did not understand what was going on in terms of the performance management systems project and they consequently opposed it. Secondly, the Minister responsible for Provincial and Local Government expected that managers would start to think more about their performance and how to improve it without giving them the required resources. Another reason was that organisational performance management was a new initiative in the South African local government scene, and, therefore, managers did not have experience in its development and implementation.

The decision to start implementing the organisational performance management system was taken by the minister responsible for provincial and local government without involving all stakeholders. The legislation on the development and implementation of the performance management system requires only senior managers to sign performance agreements. There is nothing that encourages employees below these senior managers to perform to a specific level. As a consequence, municipal councillors and managers could not pay enough attention to the development of the PMS project by cascading it throughout the organisation. The conclusion was that the final score for the starting stage in the North West was a minus or negative (-), which indicates that the behavioural factors for this stage were insufficiently satisfied.

5.5.2. Development Stage

The majority of the managers were involved only on a small scale in the development of KPIs. The municipal organisational PMS was initiated by the minister responsible for provincial and local government, being the main user of the system. For this reason, the directors (senior managers) chose the KPIs to cover their responsibility areas only. The managers received only limited training during the demonstration of the system, at which time their reaction and feedback was requested. They did not participate in the choosing and defining of KPIs or screen and report layouts or in the setting of targets. This resulted in generic, municipal-

wide indicators, which had little relevance for lower levels in the organisation because they were not specific enough.

For this reason, the KPIs did not cover all of the business activities and the strategic objectives of the units and divisions. Nonetheless, the system turned out to be user-friendly with clear guides and help text, which helped managers to understand and comprehend quickly the information in the system. The PMS had a clear internal purpose aimed at supporting municipal leadership. The challenge was that municipalities had a tendency of relying too much on consultants.

The conclusion was that the final score for the development stage in the North West province was a minus or negative (-), which indicates that the behavioural factors for this stage were insufficiently satisfied.

5.5.3. Use Stage

The negative attitude of municipal senior managers and councillors towards performance management that was displayed at the beginning of the project was still visible after more than seven years of the implementation of the system. The results of the KPIs are still threatening because the information is not reliable.

Generating the data needed for the system requires a lot of effort from managers, and they feel that the time allotted to working with the system was unreasonable. They believe that there are more pressing and important things to focus on than the PMS.

The PMS seems not to be a dynamic management tool in municipalities. It is seen as a separate process from strategic planning because it is considered only after the IDP process has been completed, and not all managers use the system on a regular basis. The following reasons can be cited for this anomaly:

- The performance information has not as yet been tailored for use by various management levels, making it less relevant for these managers;
- Managers were not involved in making analyses and forecasts, diminishing the added value of the system for supporting managers in their daily activities;
- Many managers did not understand the relationships between the KPIs themselves and between the KPIs and financial results, making it difficult for them to improve their performance with the assistance of the PMS;

- There were no visible signs that municipal councillors were using the performance information they received, so managers were not aware of the importance of the PMS to the municipality;
- Managers were not held accountable for performance results by the municipal council, making the implementation and use of the PMS more of a compliance issue than a strategic management tool; and
- There was no alignment between the PMS and the reward or remuneration structure of the municipality, especially for lower level employees, diminishing the incentive to improve performance.

The conclusion was that the final score for the use stage in the North West province was a minus or negative (-), which indicates that the behavioural factors for this stage were insufficiently satisfied.

Table 5.3 provides the scores for the behavioural factors in the starting, development and use stages. A final score is given for each stage.

Table 5.3. Behavioural Factors Scores for the Starting, Development and Use Stages in the Municipalities of the North West Province

Behavioural Factor	Analysis	Score
Starting Stage.		
Managers and employees know and understand the relationship between strategy and measures.	There was a negative attitude towards the PMS because training was provided to senior managers and selected councillors only immediately after the Municipal Systems Act, 2000 was promulgated.	0
Managers understand the rationale behind the concept of performance management.	There was a negative attitude towards PMS because the labour unions regarded it as a stick that would be used to settle personal scores.	-
Managers accept the need for performance management and support its development and implementation.	The Minister of Provincial and Local Government decided to implement the PMS at local government and managers and councillors were not involved in the decision process.	-
Managers agree and support the use of performance information as a basis for strategic planning and implementation processes.	It was not possible to determine a position because the opinions of the respondents were divided on this behavioural factor.	0

Final Score		-
Development Stage.		
Managers are willing to allocate resources quickly where they are mostly needed.	Most managers do not have delegated powers to allocate resources. They have to get council approval for almost everything before they perform.	-
Managers establish project teams with people with the most relevant expertise and information.	The general perception was that project teams were established with members who were believed to tow the line. Skill and expertise are rarely considered.	-
The organisational reward structure encourages employees to accept and use the performance management system.	There is no formal link between the individual performance of the employees on the PMS and the organisational reward system.	-
Personal goals and objectives are aligned with organisational strategic objectives	The performance agreements of senior managers are aligned with operational plans (SDBIPs) of the municipality, but there is no agreement about performance agreements of lower employees.	0
The employee training and development processes have assisted individual employees to construct their own performance plans and scorecards.	Employees were insufficiently involved in the project. They were informed through voluntary presentations where sometimes feedback was requested on certain issues.	-
Employees are involved in the development of measures and therefore understand them.	Employees were insufficiently involved in the definition of measures. As a consequence, there are always arguments about the meanings of KPIs because not all managers and workers have understanding of these measures.	-
Final Score		-
Use Stage.		
Middle managers are given clear accountability and authority to make decisions and take risks.	Middle managers are not encouraged to be innovative and take risks. They have to get permission from the senior managers for almost everything before they perform.	-
Managers are encouraged and	It was not possible to determine a position	0

motivated to improve their performance continuously.	because the opinions of respondents were divided on this behavioural factor.	
Organisational performance results are frankly and openly communicated with all stakeholders.	The majority of responses from respondents were that performance results are not openly discussed because PMS is still regarded as a tool to get rid of people.	-
Managers find the performance management systems relevant owing to regular evaluations.	There are no regular evaluations or reviews of the system as prescribed by legislation.	-
Managers understand that their actions have financial implications that might impact on the corporate strategy.	There is general agreement that managers understand the consequences of their actions.	+
Employees are held accountable for identified measures and organisational performance is continuously monitored and reviewed.	It was not possible to determine a position because the opinions of respondents were divided on this behavioural factor.	0
The components of the information management technology are configured and managed to create an integrated municipal organisational performance management system.	Most municipalities do not have an integrated PMS.	-
Employees are empowered to make decisions, take risks and develop and manage performance improvement plans.	There is general agreement that managers and employees are not properly empowered to develop and manage continuous improvement plans owing to the negative attitude developed since the introduction of PMS in local government.	-
Managers constantly discuss and take concrete decisions about performance results.	It was not possible to determine a position because the opinions of respondents were divided on this behavioural factor.	0
Final Score		-

5.6. Criteria for Regular Use

Table 5.4, which indicates whether the municipal organisational PMS implementation was considered successful, gives the scores for the criteria for the regular use of the system hereunder.

The use of municipal organisational PMS cannot as yet be classified as successful. The system seems to have more value for politicians than administrators because it was initiated and politically driven, and the labour unions have developed a negative attitude towards it. To make the implementation of PMS a real success, a change in culture is needed. There must be a change in the management style to emphasise both horizontal and vertical communication. According to section 154(1) of the Constitution Act, 1996 (Act 108 of 1996), the national and provincial governments must support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers, and to perform their functions. These spheres of government need to use organisational PMS to show municipalities that the system and its use are important.

Communication about the performance results differed from municipality to municipality. The majority of respondents agreed that performance results are discussed during the quarterly review meetings (QRMs) by councillors and senior managers, but the questionnaire and focus group meetings revealed that about 78% of managers spoke on average less than once a month about the performance results. In addition, the performance of municipalities has not improved since the implementation of PMS. The main reason for this is the negative reception of the system by employees, which leads to unreliable performance data.

The conclusion was that the final score for the criteria for regular use of organisational PMS was a minus (-), which indicates that the implementation of the municipal organisational PMS was not successful.

Table 5.4 Criteria for Regular Use Scores for Municipalities.

Criteria for Regular Use.	Analysis.	Score.
Measures and scorecards incorporated in the regular management reporting.	Respondents differed about the incorporation of KPIs in the formal management reporting to the council	-
Performance results are openly and frankly discussed in management and council meetings.	Respondents differed about the degree of communication about the performance results. Interviews and focus group meetings revealed that negative or poor performance results are not reported to council because of fear of reprisals.	-

Continuous performance improvement plans are formulated and implemented.	The majority of respondents agree that municipalities do not formulate improvement plans. This was verified by the audit reports that revealed the same weaknesses on a number of occasions.	-
Increased performance management system use by managers and councillors.	There is a slight difference in the negative attitude towards the use of performance management in municipalities owing to continuous capacity building initiatives.	+
Difference in attitude towards performance management, between project start and currently.	There is a slight difference in the negative attitude towards the use of performance management in municipalities owing to continuous capacity building initiatives.	+
Regular communication about performance results.	Respondents differed about the degree of communication about the performance results. There was a structured communication during the quarterly review meetings, but apart from that there was little communication among managers about PMS.	-
Organisational performance results improved, through PMS use.	Respondents did not agree on the degree of improvement caused specifically by the use of PMS. Many respondents doubted that there were any improvements.	0

5.7. Analysis of the Structural Models (Normative Report)

This section focuses on the parameters of the structural models as a means to verify the causal relationships included in the hypotheses. This section is arranged according to the research hypotheses posited in chapter three. Firstly, the impact of the leadership on the strategic direction of the municipality is analysed. Secondly, the influence of the "Quality of Implementation" on the organisational performance is examined, by analysing the direct effect of horizontal and vertical communication measures of organisational performance, performance culture, and the municipality having a clear and balanced performance framework.

5.7.1. Relationships between Behavioural Factors and Organisational Performance

It was argued in chapter three that Managerial Leadership is a determinant of organisational PMS implementation and use. Management shapes the nature of the relationship between PMS implementation and employee behaviour, and, therefore, it may enhance organisational performance. The discussion provided in chapter three led to the formulation of several hypotheses that established causal relationships between the components of the organisational PMS Framework and certain behavioural factors. These hypotheses were established as follows:

- Hypothesis 1: Committed management and leadership influence organisational Performance Management System positively;*
- Hypotheses 2: The failure of management to take decisive decisions impacts negatively on the effectiveness of the Organisational Performance Management System;*
- Hypothesis 3: An integrated information management system has a positive effect on the decision making processes;*
- Hypothesis 4: A manager's use of a performance management system influences the level of innovation favourably;*
- Hypothesis 5: The effective use of performance information by management motivates employees positively;*
- Hypothesis 6: The lack of accountability causes unintended performance consequences (underperformance);*
- Hypothesis 7: The lack of transparency about the organisational performance impacts negatively on vertical and horizontal communication;*
- Hypothesis 8: The experience or sexual orientation of a manager does not affect the use of an organisational performance management system; and*
- Hypothesis 9: Continuous performance reviews positively affect the overall organisational performance of the municipality.*

In the analyses, each structural model establishes a causal relationship between certain elements of organisational PMS and a specific behavioural factor. Consequently, seven structural models were estimated (Table 5.5). A significant γ coefficient would indicate that a causal relationship exists between the variables. The magnitude of the relationship can be observed from the value of this coefficient.

The estimated models show a good fit, as shown by the indices and the significance of the Z-values (Table 5.2.). All the parameters of the corresponding measurement models were statistically significant.

Having verified the fit of the proposed structural models, the coefficients that reflect the impact of different behavioural factors on organisational performance can be analysed. Table 5.2 shows the structural parameters and the coefficient, which is an indicator of the reliability of the structural equation.

Table 5.5: Structural Equations for the Hypotheses relating Organisational Performance to Behavioural Factors

H1 (V1-F1)	Commitment +Involvement +Agreement + Style
H2 (V1-F2)	Commitment +Involvement +Agreement + Style
H3 (V2-F3)	Budget + Accountability + Review +Compensation
H4 (V1-F5)	Commitment +Involvement +Agreement + Style
H5 (V1-F6)	Commitment +Involvement +Agreement + Style
H6 (V3-F4)	Strategies + Budget + Accountability + Review +Compensation
H7 (V1-F1)	Commitment +Involvement +Agreement + Style
H8 (V4-F7)	M&E + skills + experience
H9 (V5-F8)	Reports

These results corroborate all the proposed relationships. Conclusions that can be drawn from the results are now analysed in greater detail in the following section.

(a). Managerial Leadership

According to the literature reviewed in chapter three there is agreement that management and leadership should have not only clear accountability and responsibility for measures and results but also commitment. A key issue of managing through measures is the attitude of management towards the organisational performance management system and its functioning.

Regarding the first behavioural factor of the latent variable, the results (Figure 5.3) indicate that leadership has a positive effect on the implementation of organisational PMS.

The fact that the decision-making activities of the leadership affect the appointment of managers indicates that when the municipal council ensures that only skilled and experienced senior managers are employed, their abilities to ensure that the municipality has a clear and balanced performance framework that enables them not only to implement but also to use the organisational PMS because there will be alignment between the management systems and the corporate strategies.

Researchers agree on the influence of skills on the ability of management within organisations to manage through measures. It is, therefore, important to point out the necessity for formal education and training processes for improving the understanding of managers of the organisational performance management systems and measures.

This result is consistent with previous studies conducted by researchers, such as Maisel (2001) and De Waal (2002), who demonstrated the importance of employing the best executives for organisations intending to improve their performance. According to their conclusions, the better the intellectual capital of the organisation, the more able employees are to increase organisational performance.

Furthermore, the results confirm the importance of "employee involvement" and a supportive management style in the promotion of a culture of performance management. The involvement of employees dimension has an impact on general performance, because jobs that encourage employee autonomy and participation provide the opportunity to be innovative, and, thus, increase the ability of employees to perform effectively and efficiently.

The arguments advanced in chapter three indicate that, for any organisation to be regarded as “high performance”, it needs an effective organisational PMS. These high performance organisations are driven by leaders and managers who are prepared to take unpopular decisions based on the performance information to enhance organisational performance. These high performance leaders continuously share knowledge and experiences with their peers to benchmark the performance of their organisations.

(b). Alignment

It is extremely important to link organisational performance management systems to the budget setting process because the required resources will be allocated and aligned with set measures.

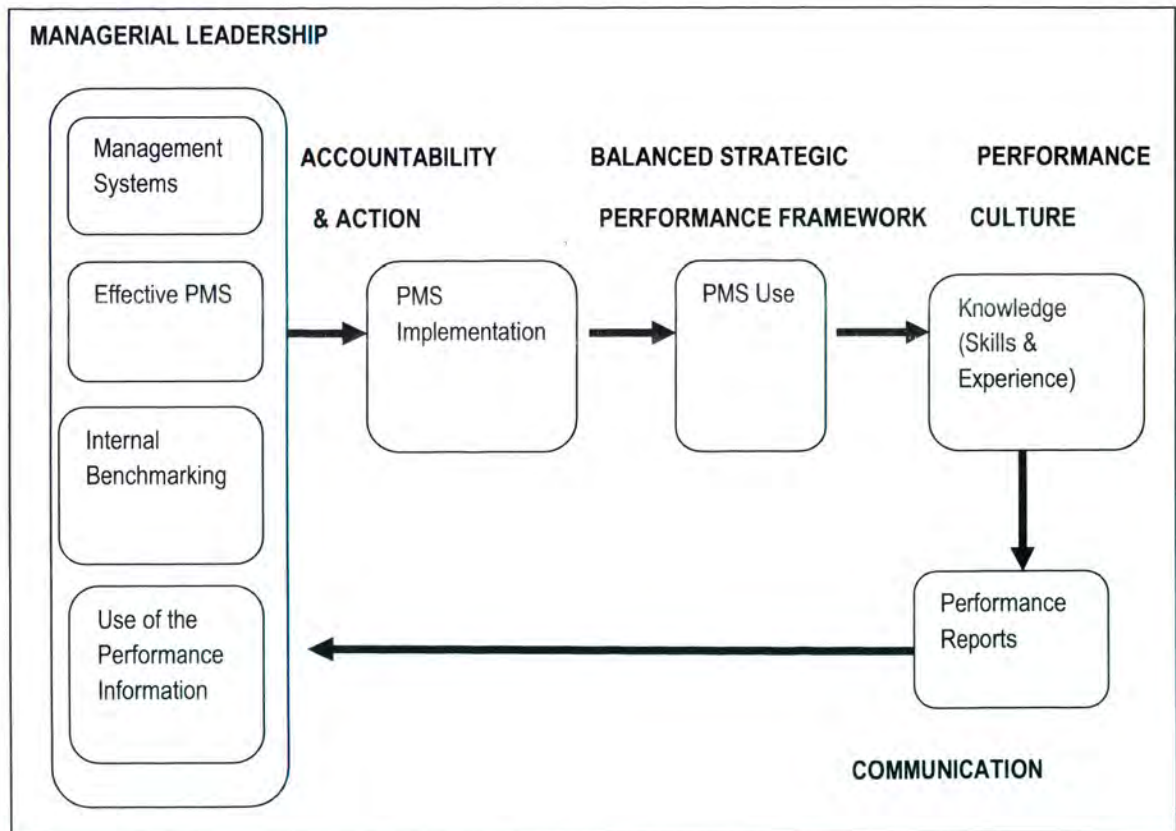


Figure 5.3: The Normative (Theoretical) Model of Performance Management

There is consensus around the importance of this factor because it is necessary for aligning strategic and operational plans and individual performance agreements of

employees. Some work still needs to be done in linking performance measures of business units and municipal organisational performance measures, or integrating individual strategies and goals with the “good match” between the responsibilities of managers and organisational performance management systems.

Studies conducted by researchers concur on the importance of the linkage between incentive compensation and strategic measures. Some of these studies report a positive impact of the link between compensation and strategic performance measures in the organisational performance management system, whereas others report the opposite.

(c). Balanced Performance Framework

Organisations should use structured approaches to performance management that include financial and non-financial issues if they expect to be regarded as high performance organisations. These frameworks should go beyond the Balanced Scorecard and include other performance areas that drive the long-term performance, such as financial performance, operating efficiency, customer satisfaction, employee performance, innovation and change management of the organisation, and community or environmental issues.

(d). Performance Culture

There is a need for a corporate culture that encourages teamwork, ownership of problems, and risk taking or entrepreneurship, which is orientated towards continuous performance improvement and the use of organisational performance management.

International practice highlights a need for continuous review of the strategy and not only the organisational performance management system, measures and it further suggests that measures should be reviewed on a rolling monthly basis rather than the traditional annual review.

(e) Communication

It is important to have a clear communication strategy and plan for performance measures and the actual progress made in achieving them. It is, therefore, imperative to emphasise the need for prompt and formal feedback, not only to the stakeholders but also to employees who are supposed to provide services to the customers or clients.

Researchers agreed on the relevance of having an adequate information technology infrastructure for supporting data collection, analysis, interpretation and reporting processes. It makes decision making on resource allocation much easier.

Municipalities should continuously use support systems, tools and processes like Executive Management Systems (EMS) with analytics capabilities to assist managers to cope with managing with measures.

5.7.2. The main findings from the Performance Management Analysis

Questionnaire (PMAQ) instrument development and validity testing are:

- 5.7.2.1. The applied PMAQ instrument is reliable and valid after the removal of some of the questions that were regarded as superfluous and irrelevant to the South African context generally and the local government environment in particular and, and also, the further refinement of De Waal's (2003) Performance Management Analysis Questionnaire instrument; and
- 5.7.2.2. The PMAQ instrument can be applied, in its modified and refined form, in similar research studies.

5.7.3. The main findings from the municipal organisational performance management systems training intervention are:

- 5.7.3.1. Managers and municipal councillors can be trained to inculcate a culture of performance management in the municipality. This was confirmed by the fact that, after the training of all Performance Management Systems managers during the research phase, the submission of the annual

reports to the Department of Local Government increased from forty four percent (44%) to sixty three percent (63%);

- 5.7.3.2. Municipal leaders (senior managers and Municipal Councillors) can be change agents for municipal organisational performance management if they are adequately and properly empowered and qualified to drive the culture of performance management.

5.8. Empirical Research Findings

The statistical information in Table 5.2 shows the results of the Confirmatory Factor Analysis (CFA) test. The main specific findings from the data collected from individual municipalities through the questionnaire are summarised in Figure 5.6 as follows:

Table 5.6: Statistical Equation Modelling Overall Statistics.

Minimum Function Chi-square	1181.900
Degrees of freedom	395
P-value	0.0000

Table 5.6 presents the results of the SEM equations. It was decided to ignore the Minimum Function (MF) Chi-square results.

Table 5.7: Statistical Equation Modelling Model (SEM).

Latent variables:	Estimate	Std.err	Z-value	P(> z)
F1 =~	Management Style (Failure)			
V1.111	1.000			
V1.12	1.140	0.104	10.997	0.000
V1.13	1.008	0.105	9.586	0.000
V3.1	1.019	0.104	9.777	0.000
F2 =~	Effective PMS			
V1.81	1.000			

V1.141	1.026	0.185	5.552	0.000
V2.11	1.043	0.182	5.742	0.000
V3.61	1.846	0.271	6.801	0.000
V3.81	0.843	0.202	4.182	0.000
V4.711	1.686	0.257	6.561	0.000
F3 =~	PMS Use			
V1.7	1.000			
V1.16	1.068	0.123	8.683	0.000
V2.3	1.096	0.114	9.636	0.000
V3.3	0.825	0.110	7.513	0.000
V4.8	1.048	0.133	7.855	0.000
V3.41	0.940	0.122	7.701	0.000
F4 =~	PMS Implementation			
V1.1	1.000			
V2.4	0.701	0.085	8.281	0.000
V3.9	0.916	0.105	8.717	0.000
F5	Internal Benchmarking			
V1.5	1.000			
V2.2	1.451	0.281	5.159	0.000
V2.6	2.186	0.414	5.286	0.000
F6 =~	Use of the Performance Information (Management Criteria)			
Race	1.000			
Experience	0.992	0.324	3.060	0.002
F7 =~	Experience			

V1.6	1.000			
Municipality	0.612	0.218	2.808	0.005
V4.3	1.185	0.180	6.577	0.000
F8 =~	Expected Reporting System (Performance Results/Report)			
V5.11	1.000			
V2.71	1.559	0.276	5.652	0.000
V2.51	1.445	0.257	5.627	0.000
Regressions:				
F2 ~ F8	0.716	0.154	4.636	0.000
F4 ~F3	0.936	0.133	7.023	0.000
F5 ~F8	0.693	0.181	3.826	0.000
F7 ~F4	0.505	0.083	6.055	0.000
F8 ~F7	0.800	0.160	4.987	0.000
Residual covariances:				
F1 ~~F7	0.121	0.047	2.571	0.010
F1 ~~F8	0.048	0.035	1.363	0.173
Latent covariances:				
F1 ~~F3	0.570	0.100	5.685	0.000
F6 (Abuse of the Performance Information)	0.057	0.077	0.738	0.460
F3 ~~F6	0.192	0.085	2.257	0.024
Latent variances:				
F1(Management Failure)	0.828	0.144	5.764	0.000

F3 (PMS Use)	0.723	0.146	4.941	0.000
F6 (Abuse of the Performance Information)	0.794	0.289	2.745	0.006
Residual variances:				
V1.111	0.477	0.070	6.831	0.000
V1.12	0.492	0.078	6.306	0.000
V1.13	0.709	0.095	7.475	0.000
V3.1	0.672	0.091	7.368	0.000
V1.81	0.578	0.071	8.169	0.000
V1.141	0.555	0.069	8.105	0.000
V2.11	0.494	0.062	7.985	0.000
V3.61	0.464	0.078	5.962	0.000
V3.81	0.992	0.116	8.559	0.000
V4.711	0.568	0.083	6.870	0.000
V1.7	0.693	0.090	7.739	0.000
V1.16	0.682	0.090	7.563	0.000
V2.3	0.405	0.062	6.577	0.000
V3.3	0.715	0.088	8.114	0.000
V4.8	0.987	0.123	7.991	0.000
V3.41	0.853	0.106	8.049	0.000
V1.1	0.941	0.134	7.021	0.000
V2.4	0.478	0.068	7.083	0.000
V3.9	0.629	0.096	6.551	0.000
V1.5	1.364	0.157	8.695	0.000

V2.2	1.174	0.147	7.996	0.000
V2.6	0.033	-0.143	-0.230	0.818
Race	0.577	0.261	2.213	0.027
Experience	0.392	0.253	1.551	0.121
V1.6	0.719	0.094	7.693	0.000
Municipality	2.577	0.295	8.723	0.000
V4.3	0.849	0.114	7.449	0.000
V5.11	1.035	0.123	8.438	0.000
V2.71	0.742	0.099	7.466	0.000
V2.51	0.664	0.088	7.523	0.000
F2 (Effective PMS)	0.097	0.032	3.078	0.002
F4 (PMS Implementation)	0.449	0.108	4.154	0.000
F5 (Internal Benchmarking)	0.167	0.059	2.848	0.004
F7 (Experience)	0.182	0.055	3.330	0.001
F8(Performance Reports)	0.027	0.028	0.963	0.335

Table 5.8: Test statistics for the Statistical Equation Modelling Model (SEM)

Model converged normally after 68 iterations using ML	
Minimum Function Chi-square	1181.900
Degrees of freedom	395
P-value	0.0000
Chi-square test baseline model:	

Minimum Function Chi-square	3003.624
Degrees of freedom	435
P-value	0.0000
Full model versus baseline model:	
Comparative Fit Index (CFI)	0.694
Tucker-Lewis Index (TLI)	0.663
Log-likelihood and Information Criteria:	
Log-likelihood user model (H0)	-6482.537
Log-likelihood unrestricted model (H1)	-5891.587
Akaike (AIC)	13105.074
Bayesian (BIC)	13318.564
Root Mean Square Error of Approximation (RMSEA):	
RMSEA	0.113
90 Percent Confidence Interval	0.106 0.120
P-value RMSEA ≤ 0.05	0.000
Standardized Root Mean Square Residual (SRMR):	
SRMR	0.092

Table 5.9: Statistical Equation Modelling (SEM) Model Report.

Latent variables:	Estimate	Std.err	Z-value	P(> z)
F1 =~	Management Style			
V1.111	1.000			
V1.12	1.140	0.104	10.997	0.000
V1.13	1.008	0.105	9.586	0.000
V3.1	1.019	0.104	9.777	0.000

F2 =~	Effective PMS			
V1.81	1.000			
V1.141	1.026	0.185	5.552	0.000
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V1.7	1.000			0.000
V1.16	1.068	0.123	8.683	0.000
V2.3	1.096	0.114	9.636	0.000
V3.3	0.825	0.110	7.513	0.000
V4.8	1.048	0.133	7.855	0.000
V3.41	0.940	0.122	7.701	0.000
F4 =~	PMS Implementation			
V1.1	1.000			
V2.4	0.701	0.085	8.281	0.000
V3.9	0.916	0.105	8.717	0.000
F5 =~	Internal Benchmarking			
V1.5	1.000			
V2.2	1.451	0.281	5.159	0.000
V2.6	2.186	0.414	5.286	0.000
F6 =~	Abuse of the Performance Management Criteria			
Race	1.000			

Experience	0.992	0.324	3.060	0.002
F7 =~	Experience			
V1.6	1.000			
Municipality	0.612	0.218	2.808	0.005
V4.3	1.185	0.180	6.577	0.000
F8 =~	Performance Reports			
V5.11	1.000			
V2.71	1.559	0.276	5.652	0.000
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Regressions:				
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F5 ~F8	0.693	0.181	3.826	0.000
F7 ~F4	0.505	0.083	6.055	0.000
F8 ~F7	0.800	0.160	4.987	0.000
Residual covariances :				
F1 ~~F7	0.121	0.047	2.571	0.010
F1 ~~F8	0.048	0.035	1.363	0.173
Latent covariances:				
F1 ~~ F3	0.570	0.100	5.685	0.000
F6 (Use of Performance Information)	0.057	0.077	0.738	0.460
F3 ~~F6	0.192	0.085	2.257	0.024
Latent variances:				

F1(Management Failure)	0.828	0.144	5.764	0.000
F3 (PMS Use)	0.723	0.146	4.941	0.000
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Residual variances:				
V1.111	0.477	0.070	6.831	0.000
V1.12	0.492	0.078	6.306	0.000
V1.13	0.709	0.095	7.475	0.000
V3.1	0.672	0.091	7.368	0.000
V1.81	0.578	0.071	8.169	0.000
V1.141	0.555	0.069	8.105	0.000
V2.11	0.494	0.062	7.985	0.000
V3.61	0.464	0.078	5.962	0.000
V3.81	0.992	0.116	8.559	0.000
V4.711	0.568	0.083	6.870	0.000
V1.7	0.693	0.090	7.739	0.000
V1.16	0.682	0.090	7.563	0.000
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V4.8	0.987	0.123	7.991	0.000
V3.41	0.853	0.106	8.049	0.000
V1.1	0.941	0.134	7.021	0.000
V2.4	0.478	0.068	7.083	0.000



V3.9	0.629	0.096	6.551	0.000
V1.5	1.364	0.157	8.695	0.000
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V5.11	1.035	0.123	8.438	0.000
V2.71	0.742	0.099	7.466	0.000
V2.51	0.664	0.088	7.523	0.000
F2 (Effective PMS)	0.097	0.032	3.078	0.002
F4(PMS Implementation)	0.449	0.108	4.154	0.000
F5 (Internal Benchmarking)	0.167	0.059	2.848	0.004
F7 (Experience)	0.182	0.055	3.330	0.001
F8 (Performance Reports)	0.027	0.028	0.963	0.335

The SEM report (Table 5.8 above) shows the following results from the empirical research conducted in various municipalities of the North West province.

5.8.1. Quality of Direction

5.8.1.1. Managerial Leadership

According to Table 5.7 all the estimated coefficients are positive, as expected. All the measures included in the latent variable Management Style (Failure) have significant Z-values, which indicates that these are making a significant contribution to the latent variable.

The results indicate that the requirements for two variables, "Balanced Strategic Performance Framework" and "Managerial Leadership Commitment", are not satisfied. According to the results, there is no relationship between "Managerial Leadership Commitment" and the development of a clear and "Balanced Performance Framework" that is aligned to all other management systems.

It was argued in chapter three that all employees must be involved in the formulation of strategies and success maps to ensure that there is agreement on the direction the municipality is supposed to take.

Chapter six of the Municipal Systems Act, 2000 (Act 32 of 2000) places the responsibility of developing and implementing the organisational performance management system on the mayor and the municipal manager. Figure 5.5 (The Empirical Model) has been superimposed on figure 5.3 (The Normative Model) to demonstrate the difference between the results between the literature study and the empirical research. The findings of the empirical study (represented by red arrows) indicate that there is no relationship between the executive team of the municipality and the implementation of the PMS Framework confirms that both the accounting officer and the political head are not able to ensure that the legal requirements are complied with. Organisational performance management systems are still not implemented in most municipalities because of the lack of commitment from the councillors and senior managers. This is shown by the absence of a relationship between "Management and Leadership Commitment" and "Alignment". This lack of commitment is confirmed by the inability to align the strategic planning process (IDP) and the performance management system. The conclusion that can be drawn from this lack of alignment is that managers are not effective and efficient enough to be able to produce reliable performance information that can be trusted by other stakeholders. This can be attributed to absence of, or insufficient, management and leadership competence.

The finding indicates that municipalities have not as yet reached the “PMS Use” stage. The inability to implement and use the PMS can be attributed to the lack of or inadequate managerial leadership commitment.

A further indication is that there seems to be a conscious and deliberate manipulation of the performance measures, or abuse of the performance information, to cover the management failure, as indicated by the Z-value of 2.257 for the latent covariance. This could be attributed basically to the lack of management skills and experience resulting from poor employment practices of municipalities. These practices have greatly compromised the principle of “good human resource management and career development” practices that are supposed to be cultivated by all spheres of government to maximise human potential. This principle is envisaged by the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996).

According to the results of the Confirmatory Factor Analysis (CFA) report statements such as “managers do not feel committed to the results of the organisation” and “performance reviews are not aligned to the performance agreements of managers and they, therefore, do not add any value to the overall organisational performance of the municipality” confirm the argument that there is little or no Management and Leadership Commitment to develop, implement and use the organisational PMS.

The statistical information indicates that there are negative consequences for underperformance as poor performers are dealt with in accordance with the organisational disciplinary system by managers. This finding can easily be disputed when it is argued that if “there is no transparent communication about the performance of municipalities from senior management and council” underperformers who are politically aligned to powerful leaders will not be disciplined because their performance records can easily be swept under the carpet.

5.8.2. Quality of Implementation

All coefficients are positive, as indicated earlier in the “Quality of Direction”. All the measures included in the latent variable Management Style (Failure) have significant Z-values, which indicates that they are making a significant contribution to the latent variable

5.8.2.1. Balanced Performance Framework.

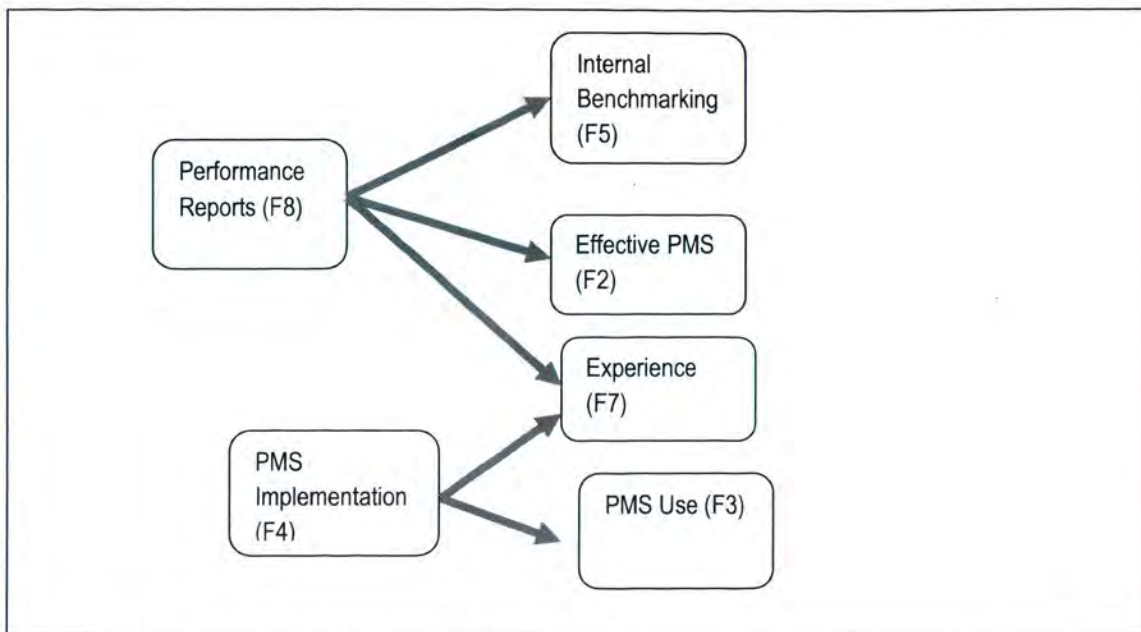


Figure 5.4: Simplified Empirical Model of Performance Management

The lack of leadership and management commitment makes it almost impossible for municipalities to have “Balanced Performance Frameworks”. The inability to have clear and balanced strategic plans indicates that municipalities have not yet reached the “PMS Use” stage. The results further reveal a causal relationship between PMS Implementation and the “Balanced Performance Framework”. The challenge that needs to be dealt with is: how does one implement a strategic plan that is not supported by the leadership of the municipality? If there is no leadership and management commitment, there will never be agreement on the strategic direction and performance measures.

There is a correlation between “Balanced Performance Framework” and “Alignment”, which suggests that municipalities have implemented PMS and they are using it. The conclusion drawn, after the preliminary study on the development and implementation of PMS in the North West province, was that municipal employees rejected the use of the system because it was seen as a tool that would be used to punish them. Councillors and senior managers see the implementation of the system as a tool that is used to control the payment of rewards like the performance bonus. The fact that there are no clear and balanced performance frameworks in most

municipalities indicates that there cannot be alignment with management and leadership processes. The behavioural factors required for an effective organisational PMS are, therefore, insufficiently satisfied.

5.8.2.2. Performance Management Culture

The results presented in 5.7.1 above lead to the argument that the identified knowledge gap can be directly linked to the inability of municipalities not only to implement PMS but actually use it. Managers who are not competent will not be able to inculcate a culture of performance management in their organisations because of the lack of basic management skills and experience. The lack of management competence in local government confirms the finding that performance information consists of numbers only, and is generally skewed towards financial reporting. The reason that can be given for this kind of behaviour is that managers do not regard performance information but an essential tool for their management activities as they are compelled to comply with the requirements of the Municipal Finance Management Act, 2003 (Act 56 Of 2003).

The results further indicate that the bureaucratic management style of municipalities does not encourage middle managers and lower level workers to develop because senior management frequently intervenes in functional activities. The consequence of this behaviour is that there is a dire need for well-trained and experienced managers because there is no succession planning. It can furthermore, be concluded from the results that the incorrect implementation of the Employment Equity Act, 1998 (Act no 55 of 1998) leads to poor succession planning and ultimately to the lack of the required skills, such as management and leadership.

The results further indicate that managers generally use performance information to guide and coach workers. But, interestingly, they hardly ever use it during their decision making, and, consequently, performance improvement plans are not developed because performance results are not analysed to determine the root causes of underperformance.

5.8.2.3. Communication and Reporting

According to the empirical results municipalities do not conduct employee satisfaction surveys. This is confirmed by the finding that “aspirations, fears and concerns of workers are not considered by management and councillors during the strategy formulation process”. The results further indicate that there is no horizontal or interdepartmental communication about performance results, and, consequently, knowledge sharing is not promoted in municipalities.

Further analysis of the results indicates that the performance information provided to stakeholders is mostly irrelevant because it happens too often that the same data elements have different values in different reports.

The arguments presented in chapter three suggest that organisations need to make conscious decisions, about such matters as, procuring data processing and information management systems that can be used to collect real-time data and assisting executives to analyse the collected data and produce reports on the performance of the organisation, as rapidly as possible. The research finding (Figure 5.5) indicates that there is no relationship between the expected reporting system and the use of performance information or results, which does not accord with the literature reviewed in chapter three.

5.8.3. *Quality of Organisational Learning*

5.8.3.1. Accountability and Action (Alignment).

The coefficients make a significant contribution to the variable owing to their positive Z-value. The empirical results indicate that “managers do not feel committed to the performance results of the organisation”, because “performance reviews and assessments are not aligned to their performance agreements”, and, consequently, the exercise is futile because it does not add any value to the municipality.

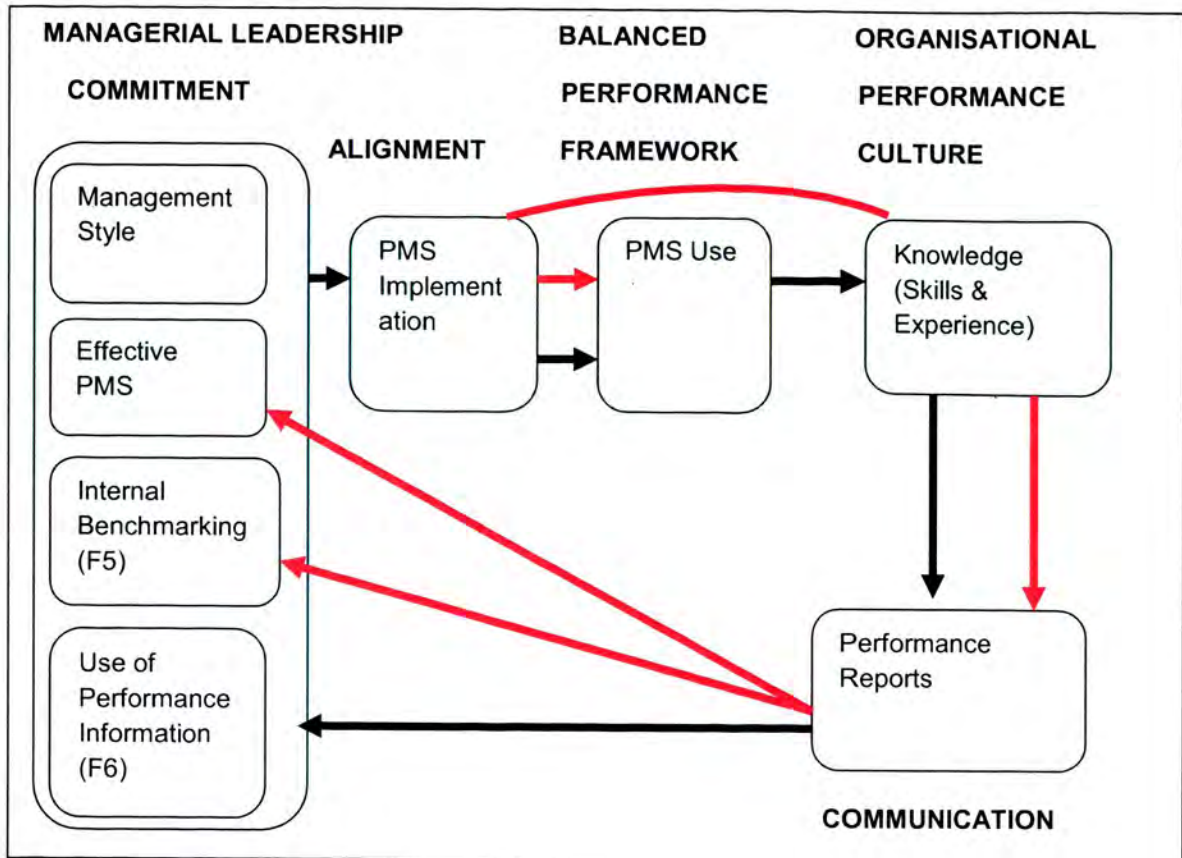


Figure 5.5: The Empirical Model of Performance Management

The results demonstrate that, during the updating process, either, managers cannot reach sufficient consensus, or there is insufficient consensus about the changes to be made in the performance management system to ensure total “buy-in”. The second indication can be that there is no review. Previous studies (De Waal, 2002) found that, if there is no review and alignment, the quality of performance management decreases, thereby losing its relevance to the managers, who might be tempted not to trust the system. This argument is assisted by the finding that respondents believe that the organisational PMS is not user-friendly. These findings are a demonstration that managers are not committed to the results of the municipality.

According to De Waal (2002), organisations are forced by the rapid change in which they operate to adapt their strategies and business processes continuously. These changes result in the review and alignment of the organisational performance

management system, strategic objectives, priorities, and measures that are monitoring the implementation of the strategy.

The black arrows in Figure 5.5 reflect the theoretical model developed after the normative study. The red arrows demonstrate the results of the empirical research conducted in the municipalities of the North West province.

5.8.3.2. Internal Benchmarking

The results shown in Figure 5.5 indicate that the majority of municipalities do not conduct “Internal Benchmarking” activities to determine whether they could have performed better than they did or better than other municipalities. This is revealed by the low regression Z-value 2.848. The result indicates that there is no internal benchmarking in most municipalities because there is no alignment between management activities and corporate strategy. Performance results from different departments cannot easily be compared because of the use of different reporting systems.

The performance of a municipality is usually measured against its past record or against a predetermined performance target. The exercise tells whether the municipality has improved or whether it has achieved an established objective. But, because there are no comparisons with competitors, it does not tell whether another municipality could have done better, or just how good performance could be. The result further shows a relationship between “Internal Benchmarking” and the production of performance reports.

5.8.3.3. The Use of Performance Information

The results indicate that there is no relationship between the “use of performance information” and performance reports. This finding can be attributed to the fact that there is inadequate management capacity to analyse the information presented and to take decisive corrective action to improve performance. The lack of management and leadership capacity is seen in the inability of managers to use performance measures to monitor the execution of corporate strategy on a continuous basis.

Further analysis of the results indicates that performance results are not used as an input in the assessment of managers and employees. The finding can also be attributed to the fact that managers who are not competent cannot perform to expectation, and, therefore, it would be unfair to assess them against the organisational performance after appointing them for reasons other than knowledge.

To summarise, structural models estimated throughout this section confirm the role of identified behavioural factors in organisational performance. According to these results, the identified behavioural factors have an impact on the performance of municipalities.

5.9. General Findings:

5.9.1. Only twenty one percent (21.3%) of respondents were female in spite of the requirements of the Municipal Planning and Performance Management Regulations, 2001 and the Employment Equity Act, 1998 (Act no 55 of 1998) that the top three levels of the municipal leadership should be equally occupied by both males and females.

5.9.2. The general opinion of the Focus Group is that qualified and experienced people had a statistically significantly better understanding of the effect of the behavioural factors on organisational performance management than municipal councillors and unskilled and inexperienced senior managers.

5.9.3. The meetings with the Focus Group and PMS Managers during the verification process indicated:

- Frustration by PMS Managers and Internal Audit Executives about insufficient management support and rigid organisational or bureaucratic tendencies against the identified constructs (behavioural factors); and
- Poor understanding of organisational performance management by the municipal leadership corps, including executive councillors.

5.9.4. Municipal Councillors were reluctant to participate in the study. Only 30.1% of the target sample of councillors participated. In some municipalities all councillors were reluctant to complete the questionnaire. The possible reason that can be presented is that they are not aware of their legal responsibility in

the development and implementation of the municipal organisational performance management system.

- 5.9.5.** Only one municipal manager participated in the study. A possible reason is that the majority of municipal managers are aware of their lack of knowledge about organisational performance management and the abdication of their responsibility to develop and implement the municipal organisational performance management system. See focus group findings.
- 5.9.6.** There are no capacity development initiatives for middle management development and leadership skills because there is no succession planning. The main reason is that municipal senior managers are regarded as political appointees, and, therefore, middle managers are mostly disregarded when training and development initiatives (workplace skills plans) are formulated
- 5.9.7.** It was found that the cognitive limitations of managers prevent municipalities from benefitting fully from a performance management system, and that cognitive differences between managers have led them to use the performance management system differently. It was also found that positive outcomes from performance management systems use were mostly determined by the effectiveness by which the system is used as a management control device.
- 5.9.8.** According to De Waal (2002), positive outcomes are generated by better strategic alignment of employees and better motivation. This indicates that causal relationships exist between performance management systems design, management control use, managerial and employee behaviour, and performance.

5.10. *Summary of Empirical Findings*

The results obtained in this chapter confirm the adequacy of the scales used in the study to measure the various concepts included in the hypotheses. The structural models estimated partially confirm the research hypotheses of this study (see Table 6.1). The behavioural factor configurations affect the organisational PMS dimensions, which, in turn, influence organisational performance. Of all the

behavioural factors, management and leadership commitment emerges as the most critical factor in improving organisational performance.

Regarding the impact of the behavioural factors on organisational results, all the dimensions, except for benchmarking, have a significant effect on the performance of the municipalities. In addition, when the co-variation between these dimensions is taken into consideration, the results suggest that an effective PMS contributes to organisational success. The inclusion of organisational learning characteristics in the analysis confirms that decisive decision making has a stronger impact on performance when the organisation operates in a dynamic environment.

The next chapter provides a more detailed discussion of these results and their implications for local government in South Africa.

CHAPTER SIX

6. CONCLUSIONS AND RECOMMENDATIONS

6.1. Introduction

The general purpose of this study has been to analyse the role played by behavioural factors in the effectiveness of organisational performance management. In so doing, an empirical study on a sample of 209 members of Executive Committees and senior managers of municipalities of various sizes and capacities in the North West province was conducted. The theoretical review provided in this thesis, and the application of the SEM models to the data, led to several conclusions that answer the five research questions.

The concept of organisational performance management was reviewed, attending to the underlying dimensions of PMS implementation strategy. Interest has grown tremendously in the recent past in performance management systems that reject Taylorist and control methods of management. These studies have concentrated on the development and implementation of organisational PMS. However, no consensus has been reached on the factors that facilitate the process of managing with performance measures because of the broad range of approaches that different authors have advocated. For instance, some authors have focussed on specific aspects that became apparent during the design phase of the system, while others focussed on key issues of the implementation phase. Very few authors focussed on the overall use of organisational performance management systems. Another problem for identifying actual factors was the lack of empirical studies in the performance management literature. This study reviewed the main areas of discrepancy that emerge when defining the components of an effective organisational performance management system.

The effects of the identified behavioural factors on the organisational performance were examined to focus the study on finding an answer to the management question of why municipalities are unable to report on their organisational performance as required by the Local Government: Municipal Systems Act, 2000? The study was specifically focussed on the following five investigative questions:

1. What is the role of managerial leadership in the development and implementation of an effective organisational performance management system?
2. To what extent does communication influence the behaviour of stakeholders towards the use of an organisational performance management system?
3. What effect does organisational culture have on the implementation and use of the municipal organisational performance management system?
4. What is the relationship between the knowledge of senior municipal managers and the implementation and use of a municipal organisational performance management system?
5. How does an aligned and balanced strategic framework affect the morale of employees in the use of the municipal organisational performance management system?
6. What is the correlation between the identified behavioural factors and organisational performance?

This chapter will, therefore, draw conclusions from the findings of the study and make recommendations for implementation by municipalities. The recommendations will demonstrate how the identified behavioural factors can be used effectively to implement the municipal organisational performance management system in South Africa. Some of the limitations of the study and future lines of research coming out of this study will also be discussed in detail.

6.2. Main Conclusions of the Research

Through the theoretical foundation (chapter 2), literature review (chapter 3) and the empirical study (chapter 5) conducted in a sample of municipalities of the North West province, the extent to which this research has fulfilled the objectives set out at the beginning of the thesis can be seen.

6.2.1. Introduction

The research question of why municipalities are unable to report on their organisational performance as required by the Local Government: Municipal

Systems Act, 2000 (Act No. 32 of 2000)? is answered by matching identified behavioural factors, performance drivers (variables), investigative questions, and hypotheses to the three perspectives identified as Quality of Direction, Quality of Learning, and Quality of Implementation.

The patterns indicate which behavioural factors that were theoretically shown to be important for the effective implementation of organisational performance management systems coincide with the criteria for regular use. Pattern matching is applied to identify patterns between the scores on the individual behavioural factors and the criteria for regular use, and between the end scores for the three stages and the scores for the criteria for regular use. The assumption in pattern matching is that the behavioural factors are independent. This is why the factors have not been weighed. A complete match between the scores gives a complete coincidence, indicating that these behavioural factors seem to have a general similarity to the effective implementation of an organisational performance management system. These behavioural factors can, consequently, be considered to be essential. A match between two or three scores gives a partial coincidence, indicating that these factors have a partial similarity with the criteria for regular use. These behavioural factors may be important for the successful and effective implementation of an organisational performance management system. Finally, if there is no coincidence it means that the behavioural factors are not important for the effective implementation of an organisational performance management system.

Public systems normally evolve very slowly. Bureaucratic systems like local government were designed to be stable. But, South Africa has reached a stage in her history where this stability is counterproductive. In today's fast-changing, globally competitive information, technology and knowledge age, systems that cannot change are doomed to failure. They are like the dinosaurs, which could not evolve quickly enough to survive when their environment changed.

It has to be accepted that municipalities do not have to do everything. Their role is to design an environment that positively encourages the people they represent to go out and run things.

6.3. The High Performance Municipality

6.3.1. *Quality of Direction*

The use of behavioural factors is a specific organisational performance management approach based on the creation of commitment and trust between the councillors (leadership), who will provide the strategic direction to the municipality, and municipal workers, who will ensure that the strategic objectives are achieved. The adoption of an organisational PMS Framework entails the use of certain practices in various performance management areas (management style, use of performance information (decision making), internal benchmarking. The literature review conducted in chapter three revealed an agreement on the impact of certain behavioural factors in the implementation and use of organisational PMS. A revision of the underpinnings of organisational PMS was undertaken in order to provide a more systematic approach to analyse the components of the framework.

The analysis of the underpinnings of organisational PMS entails the examination of the “architecture of the system” (Becker & Gerhart, 1996), that is, the analysis of organisational PMS strategies from the point of view of bundles or configurations, rather than isolated practices. Based on the review of relevant studies in the performance management literature, it was concluded that organisational PMS is made up of three configurations, namely, (a) Quality of Direction, (b) Quality of Implementation, and (c) Quality of Organisational Learning. Each configuration denotes an organisational logic that explains the adoption of practices. In this regard, these configurations were considered to represent a latent managerial leadership approach that captures the correlation between a set of practices.

This conception of organisational PMS was corroborated in the empirical research. The factorial structure of the organisational PMS framework or strategy was demonstrated through the application of the Confirmatory Factor Analysis (CFA) in the selected municipalities. The results of the CFA indicated that an effective organisational PMS comprises five interrelated dimensions (latent variables), each corresponding to one of the defined configuration. Various conclusions can be drawn from these findings.

The results support the definition of “High Performance Organisation” or “Strategy Focussed Organisation” as provided by Beer and Eisenstat (2000), De Waal (2002), and Kaplan and Norton (2001). From this perspective, municipal organisational performance management is characterised by three issues. Firstly, organisations that adopt PMS rely heavily on managerial leadership commitment and qualified and experienced management. They further emphasise the skills development of the workers. The skills development process assumes that the human capital of the organisation can be improved continuously through exhaustive training and development and recruitment activities. These activities would, in turn, ensure that the organisation has competent managers who will be able to monitor and evaluate organisational performance in order to use the results to make rational and decisive decisions.

Secondly, organisations that effectively implement PMS have committed and competent managers who will develop clear and balanced performance frameworks that are aligned to all other management systems. The frameworks will ensure that all performance measures are aligned to the budget. The organisational structure is also aligned to both the corporate strategy and the budget. Lastly, all workers should be held accountable for the organisational performance results through performance agreements that are aligned to the corporate strategy and or operational plans and the reward and compensation scheme of the organisation. The performance results will provide useful information that needs to be analysed for purposes of formulating improvement plans and internal benchmarking. These activities will develop a culture of organisational learning that encourages stakeholder participation and communicates the actual performance results without fear or favour.

In addition, by moving away from a practice-oriented perspective to a systems-oriented perspective when defining behavioural factors, a more global interpretation of the factors can be made, which, in turn, can help to integrate discrepancies identified in the previous performance management studies. For example, it was pointed out that some authors considered only certain practices as important components of organisational PMS, such as the development and implementation of the system. On considering managerial leadership commitment as one of the main

latent variables of performance management, it is possible to observe that these practices (behavioural factors), recommended by certain empirical studies in organisational performance management literature, can be interpreted as part of a similar managerial leadership approach focused on the continuous performance improvement of the organisation. It is the architectural characteristics of the organisational performance management system that may be common to any municipality adopting a "high performance strategy"; the utilisation of certain practices may be dependent on specific organisational objectives or the environment in which the municipality operates.

The consideration of behavioural factors, on the other hand, as latent variables is based on the idea of *internal fit*. Internal fit refers to the congruence between various performance management practices (Arthur, 1994, and Delery, & Doty, 1996). Factorial analysis captures the notion of internal fit by considering that performance management practices are found together because they are grounded in a common philosophy (Van den Berg et al., 1999). The results are similar to those of previous studies, such as Lingle and Schieman (1996), Gates (1999), Beer and Eisenstat (2000), Kaplan and Norton (2001), Maisel (2001), Johnston et al. (2002) and De Waal (2002) who demonstrated the role of behavioural factors in the effective implementation of organisational performance management systems.

6.3.2. Quality of Implementation

The literature reviewed in chapter three showed that some of the well-known performance management frameworks are practice-oriented, designed to give managers recommendations for the daily practice in their organisations. However, little effort was made to prove the study of the "Quality of PMS Implementation" with a theoretical basis. Realising the lack of research on the reasons for the poor implementation of municipal organisational PMS in South Africa, I decided to fill this research gap by conceptualising PMS implementation from the behavioural perspective.

The incorporation of behavioural factors into the performance management field involves the consideration of behaviour from an internal perspective, by focusing on the available workers and the management team. Furthermore, similar to the role

that managerial leadership commitment plays in the consideration of municipal organisational performance management as a source of strategic direction, the organisational behaviour approach defines a set of criteria that characterises PMS implementation. As a result, it was decided that municipal organisational PMS implementation in South Africa is a multidimensional concept made up of the following components: (a) a balanced performance framework; (b) an organisational performance culture; and (c) vertical and horizontal communication.

The application of the Structural Equation Modelling to the data confirmed the proposed structure of the “Quality of Implementation” concept. The first latent variable of the implementation concept refers to the ability of managers to develop a clear and balanced strategic framework called Integrated Development Plan (IDP) that aligns the performance measures to the budget, and also the information management system that has analytics capabilities to support executive and managerial decisions.

The second variable (organisational performance culture) indicates how high performance organisations use their performance management culture as a competitive advantage. This is the culture where trust is used as a basis for the willingness of employees to collaborate and cooperate with others both within and outside the organisation.

The last variable is horizontal and vertical communication where all stakeholders discuss the performance results in an open and transparent manner to build a sense of belonging to the same team. These results corroborate the intercorrelation of these variables. In other words, if the leadership of the organisation is committed to the implementation of organisational PMS, they will inculcate a performance culture of teamwork that produces the required results efficiently.

Despite the novelty of the proposed “Quality of Implementation” scale, several tests confirmed its construct validity, and consequently, the correspondence between the indicators and the theoretical construct to be measured.

6.4. The Analysis of the Causal Relationship between the Behavioural Factors and Organisational Performance

The statistical treatment of the data obtained from the sample of municipalities in the North West province was used to analyse the extent to which the identified behavioural factors affect organisational performance. The testing of the relationship was structured into three research themes. Firstly, the causal linkages between the behavioural factors and the “Quality of Direction” of municipalities were examined. Secondly, the influence of the behavioural factors on the “Quality of Implementation” of the organisational performance management system was tested. Finally, the moderator effect of the behavioural factors on the “Quality of Organisational Learning” and organisational performance relationship was studied. The estimation of various structural models, following the application of the SEM methodology, was used to examine the significance and strength of the proposed relationships.

6.4.1. The Influence of the Behavioural Factors on the Quality of Direction

Behavioural factors affect a set of management related variables before they become manifest in organisational performance results. These behavioural factors determine the nature of the relationship between the organisation and its employees and, consequently, employee responses at work. Following the same logic, the first set of hypotheses in this research (H1 – H3) established causal relationships between the identified behavioural factors and the “Quality of Direction”. Several structural equations were estimated in order to test these hypotheses. These hypotheses were not empirically corroborated.

The results of these analyses confirm that all the behavioural factors around which the managerial leadership commitment (latent variable) revolve in municipalities are not practised. These are “management style”, “internal benchmarking”, and the “use of performance information”. These results are not similar to those shown in the literature review (chapter three) where previous studies (Lingle & Schieman, 1996; Gates, 1999; Beer & Eisenstat, 2000; Kaplan & Norton, 2001; Maisel, 2001; Johnston et al., 2002; and De Waal, 2002) demonstrated the relevance of managerial leadership commitment in the development, implementation and use of organisational performance management systems. These studies proved that

international high performance organisations are led by executive managers who are highly committed to the culture of effective organisational performance management. It was further demonstrated that internal decision making based on performance results and benchmarking are also contributors to the style of management that is needed for the effectiveness of the system.

Lingle and Schiemann (1996), Kaplan and Norton (2001), Maisel (2001) and De Waal (2002) argued that knowledgeable and experienced managers would always analyse the performance results to lay a foundation for making decisions on remedial actions and resource allocation. The results of the empirical research did not confirm this argument.

The main explanation for this lack of relationship between managerial leadership commitment in the municipalities and the balanced performance framework, as well as the alignment of the organisational structure, can be attributed to the challenge of lack of competence needed to provide strategic leadership to the municipality. According to Beer and Eisenstat (2000), the type of employee who has a wide vision of the range of skills needed for his/her work is likely to expand his/her role perception when his/her jobs are challenging and interesting, and, consequently, he/she may be willing to learn. Similarly, as the perception of the role of the employee expands in the organisation and the scope of the challenges for which the employee feels responsible widens, the employee is more likely to alter his/her behaviour. These results are similar to the findings of the empirical study for this research because unskilled municipal managers with little experience may change the performance results or lower performance measures to hide their incompetence. Contrary to popular belief, the incentive configuration of the reward and compensation strategy has a negative impact on the behaviour of these managers. A possible explanation for this linkage is that, by focussing on the employee's past performance, performance appraisals and equitable rewards inhibit the exhibition of innovation and initiative.

6.4.2. *The Influence of the Behavioural Factors on the Quality of Implementation*

Human behaviour has been considered to be a competitive factor that allows organisations to face external challenges and to improve their performance. The ability of employees to accept change and respond efficiently to changing circumstances was found to be a critical determinant factor in the organisational success by many researchers, such as Lingle and Schieman, (1996), Beer and Eisenstat (2000), Kaplan and Norton, (2001). Hypotheses 4 to 8 focussed on the relationship between identified behavioural factors and the three indicators of the implementation of organisational performance management systems. These are (a) a balanced performance framework, (b) horizontal and vertical communication, and (c) performance culture.

After introducing a set of control variables that may affect the dependent variable, the analysis confirmed all the predicted relationships, except for the influence of “knowledge” on the “balanced performance framework”. These analyses were complemented by mediator models that tested the intermediate role of the “quality of implementation” on the relationship between the behavioural factors and organisational performance.

6.4.2.1. Is the Quality of Implementation affected by Behavioural Factors?

The positive impact of the behavioural factors on the two performance criteria was confirmed by the sampled municipalities in the study. These results demonstrate that knowledgeable workers contribute to the enhancement of organisational effectiveness, which, in turn, confirms the findings of the previous studies. Similarly, it was discovered that employees showing higher skill flexibility are also determinant factors of organisational performance because they are able to respond better to new challenges, reducing performance variability and increasing productivity over time. Moreover, evidence was discovered, which pointed to the fact that behavioural flexibility also influences organisational performance results. This may ensure that employees work more smartly to reduce input costs that could, in turn, increase organisational performance (Youndt & Snell, 2004).

No empirical support could be found for the positive relationship between the quality of organisational PMS implementation and knowledge, which is contradictory to previous studies. Some explanations can be provided for this finding. Despite the benefits that high levels of social capital (i.e. interactions among colleagues) bring to organisations, such as better knowledge sharing and skills transfer, increased problem-solving abilities or reduction of formal control over employees, knowledge involves expenses that might undermine its benefits for organisational performance.

According to Beer and Eisenstat (2000), collaboration among colleagues might have serious cost implications. For example, social capital requires maintenance, and, therefore, some maintenance costs associated with preserving current relationships and practices, like the induction of new members may appear. In addition, the focus on the collective (team spirit) rather than the individual may reduce the incentive to be innovative, making it difficult to introduce strategic changes that might be beneficial to the organisation. The non-statistical significance of the causal relationship between knowledge and the implementation of organisational PMS may be owing to the fact that the implicit cost of collaboration among colleagues is equal to or higher than its benefits.

The scope of analysis can also be used to justify the non-significance of the impact of knowledge on the implementation of organisational PMS. The Municipal Council determines the nature of the relationship between the municipality and individual managers, which is, in most cases, regulated by a performance agreement. Given the nature of activities carried out by these managers, it is possible that collaboration among these managers does not constitute a critical factor in the improvement of organisational performance.

6.4.2.2. The Moderator Role of the Quality of Organisational Learning on the Behavioural Factors – Organisational Performance Relationship

The consideration of organisational behaviour as a theoretical framework for the study of organisational learning implies that the characteristics of the environment should also be taken into account. The literature reviewed in chapter three argued that external conditions determine the value of organisational resources. Pursuant to this reasoning, it was considered that continuous performance reviews that lead to organisational learning may determine the value of decision-making in local government (Hypothesis 9). This had been confirmed by previous studies conducted by researchers such as Kaplan and Norton, (2001), Johnston *et al.*, (2002), and Ho and McKay, (2002) who clearly demonstrated that the organisational performance management system should focus on measures to drive action for improvement and learning rather than control. They argued that dynamic environments that require frequent strategic and structural adaptations increase complexity, and, as a consequence, skills requirement and behaviours in the organisation are likely to be more complex and varied, increasing the need for individuals with both the capacity and willingness to deal with complexity and change.

These findings confirmed the notion that the more dynamic the environment is, the more relevant knowledge will be to the success of the organisation. It was specifically confirmed that employee flexibility, behavioural flexibility and organisational learning flexibility have a stronger effect on service delivery effectiveness when external conditions are characterised by a high rate of dynamism. For all these models, the interaction term of the structural equations was statistically significant, lending support to the arguments of various researchers, who defended the appropriateness of organisational learning and knowledge sharing in dynamic environments. Skilful managers and employees who show initiative or collaboration with their colleagues or peers by continuously reviewing the performance information are more disposed to maintaining high and effective performance in environments characterised by continuous change.

Conversely, the study does not provide empirical support for the moderator effect of dynamism on the linkage between organisational learning (the use of performance information) and performance results. It was discovered that versatile employees have a positive influence on organisational performance regardless of the environmental conditions in which the municipality operates. This coincides with previous studies that suggested that a broad pool of skills and experience inherent in versatile employees provide an organisation with a “human capital advantage” that is beneficial for organisations of all types (Lingle & Schiemann, 1996, Kaplan & Norton, 2001, Johnston et al., 2002, and Ho & McKay, 2002).

The findings of this study are, therefore, summarised in Table 6.1 as follows:

Table 6.1: Summary of Hypotheses Tested

Hypothesis	Description	Empirical Results
H1	Committed management and leadership influence organisational Performance Management System positively (LV1-F1); DIR	No
H2	The failure of management (LV1-F1) to take decisive decisions impacts negatively on the effectiveness of the Organisational Performance Management System. (LV1-F2)DIR	Yes
H3	An integrated information management system has a positive effect on the decision making processes. (LV1-F6); DIR	No
H4	A manager's use of a performance management system influences the level of innovation favourably. (LV3-F3)IMP	Yes
H5	The effective use of performance information by management motivates employees positively. (LV1-F6). IMP	Yes
H6	The lack of accountability causes unintended performance consequences (underperformance). (LV2-F4); IMP	Yes
H7	The lack of transparency about the organisational performance impacts negatively on vertical and horizontal communication. (LV5-F8). IMP	Yes
H8	The experience or sexual orientation of a manager does not affect the use of an organisational performance management system. (LV3-F7); IMP	Yes
H9	Continuous performance reviews positively affect the overall organisational performance of the municipality. (LV1-F5).OL	No

6.5. Conclusion

According to chapter six of the Municipal Systems Act, 2000 (Act 32(39) of 2000), “the executive committee or executive mayor of a municipality, or, if the municipality does not have an executive committee or executive mayor, a committee of councillors appointed by the municipal council must manage the development of the municipality’s performance management system, and assign responsibilities in this regard to the municipal manager”. The reluctance of 82.5% of councillors to participate in the study is an indication of their awareness that they are not complying with requirements of the legislation. In some municipalities there was not a single councillor who responded to the request to complete the questionnaire.

Municipal managers and their senior management teams were also not willing to participate in the study. Only one municipal manager completed the questionnaire as requested. A management team from one of the municipalities decided against taking part in the study because “they will expose themselves”. It can be concluded that this “exposure” means that they are aware that they do not have the knowledge or commitment to manage the organisational performance management system.

The empirical results indicate that the lack of managerial leadership (councillor) commitment to the effective development, implementation and use of organisational performance management is a significant contributor to the inability of municipalities to produce annual reports to account for their performance as prescribed by legislation. The continued employment of unqualified and inexperienced managers results in the failure of municipalities to develop clear and balanced strategic frameworks (IDPs) that are correctly costed and aligned to their organisational structures. Consequently, the strategic plans, if there are any, are not related to the normal management systems, such as continuous monitoring and evaluation and resource allocation.

According to the findings presented in chapter five, the performance information is rarely discussed with employees or analysed to find root causes of

underperformance. There are, therefore, no improvement plans from which the councillors and senior managers can learn. Poor senior management impacts negatively in middle management, which, in turn, becomes weak. This bad state of management failure was summed up by one Unit Manager who said “seniority has reigned on promotions. Not quality or qualification, but seniority. It is not the rules, it is habit. It is easier for management to do it that way. Managers do not fire people, and nobody ever gets demoted, even if they cannot perform. To make matters worse, there is a history of favouritism. If you know the right people, you get better treatment”.

The recommendations listed hereunder will demonstrate how the identified behavioural factors can be used to implement the municipal organisational performance management system effectively.

6.6. Recommendations. (Normative & Empirical)

The main conclusions of the research are about the acceptance or the non-acceptance of the hypotheses listed under section 3.5 in chapter three. The recommendations offer empirically tested ideas on how to foster a culture of performance management within local government in order to find solutions to service delivery challenges in the North West province.

6.6.1. Managerial Leadership

6.6.1.1. Agreement on Strategy and Success Map

Effective municipalities should be organic, integrated organisations in which different units, functions and levels support the corporate strategy (IDP) and one another. These municipalities must have sets of business-wide initiatives and new organisational roles and responsibilities that require “the right people to work together on the right things in the right way” to implement strategy. The senior management team should shift from being functional silos overlaid with weak teams to a structure featuring strong cross-functional business teams accountable for performance. This is called coordination across functions.

The municipalities must use effective teamwork to integrate activities around communities and products or services across diverse functions, localities and businesses. This suggests an organisation where those with the most relevant expertise and information would be able to come together rapidly, across levels and locations, in response to threats and opportunities to establish a team. Such individuals and groups must have the authority and resources to make decisions and take action so that “a hierarchy of ideas replaces the hierarchy of position”.

6.6.1.2. *Management Style*

The senior and executive management teams should explicitly steer on results while simultaneously empowering employees to assist them to reach the expected results. Steering entails making clear performance agreements, continuously monitoring performance, discussing performance results, and holding stakeholders responsible. Support asks for a coaching management style that is aimed at enlarging the insight of people into possibilities for influencing their own results and at stimulating feelings of responsibility.

Research has demonstrated that steering only is a directive management style that regards the importance of individual responsibility. However, when the management style is limited only to supporting and coaching, the result is lack of commitment and disorientation. The combination of results-oriented steering and coaching equals the style: “results-oriented coaching”. To stimulate this management style, the municipal council has to look at visible commitment, clear strategy and support.

Visible commitment means management using the performance management system in a clear and visible manner to guide staff members. It goes far beyond pronounced commitment. It is about exemplary management behaviour and conduct, which shows employees that the municipal council and senior management team are genuinely committed. In a formal context, councillors and or managers show commitment by using performance information during council or management meetings where progress made, challenges experienced and remedial action are all discussed. In an informal context, councillors show commitment by regularly expressing real interest in the advancement and development of employees and the

progress made in implementing the remedial action plans and by investing time in visibly obtaining good results. The exemplary role model of management is essential. When council and or management continuously base decisions on performance information, staff members are encouraged and motivated to improve the organisational performance.

To focus the attention of staff members on the desired performance results completely, forceful steering by management is necessary. Forceful steering is characterised by setting clear goals, drafting clear improvement plans, monitoring progress made in a disciplined manner, and swiftly formulating additional remedial actions when needed. Managers should not only confront employees about underperformance and their responsibility for the situation, but they should also notice and publicly acknowledge improvements made by employees.

While steering is primarily focussed on increasing accountability, support is aimed at stimulating a sense of responsibility of staff members. Imposing goals and targets developed by managers on employees and blaming them for underperformance will not motivate them. It will, instead, increase resistance. This kind of management behaviour asks for a coaching style that is aimed at encouraging staff members to think about their opportunities for influencing performance results positively. This requires the involvement of staff members in the formulation of goals and measures that affect them. Employees should think about their behaviours that may have caused certain performance results and how they can improve them.

6.6.1.3. Clear Strategy and Priorities

High performance municipalities formulate IDPs, develop good strategies, and then appropriately realign structures, systems, leadership behaviour, human resource policies, culture, values, and management processes for them to be able to provide effective and sustainable services to the communities they are supposed to serve.

The strategies of these municipalities are operationalised and made tangible by defining critical success factors and key performance indicators. This is because the strategy determines the long-term goals of the organisation, and these measures

inculcate and encourage long-term performance planning. In addition, by continuously using these measures, managers are better positioned to monitor the organisational performance, which has a motivational effect on them.

Lastly, high performance, strategy-focussed municipalities translate their visions and missions into measurable objectives that help to force strategy specificity. This practice helps to bring to the surface and resolve those hidden disagreements that often get buried when the strategy remains abstract, only to return at some later date to haunt an organisation.

This happens because there is sufficient consensus among senior managers and councillors about the strategy, which must be translated into corporate (top-layer SDBIP), operational (technical SDBIPs) plans and tangible performance results.

6.6.1.4. Managerial Leadership Commitment

An ineffective senior management team, a top-down and or laissez-faire senior management approach and unclear strategy are all related. The Municipal Managers and Executive Councillors must never bypass members of the senior management team to get information from, and give orders directly to, staff members at the lower levels, which is a “sure-fire” way to keep the leadership group from becoming an effective team.

Competent managers should build a strong team spirit by openly discussing performance results with all team members in a transparent manner and holding their subordinates accountable for coordinated decision-making. It is a ‘red flag’ if a leader (Municipal Managers or Mayor) manages members of the senior management team on a one-on-one basis and limits team discussions to non-threatening administrative matters. In uncertain and dynamic business environments this kind of behaviour has been shown to lead to a reduction in trust, effective strategy formulation, and, ultimately, organisational performance.

Strategy-focussed municipalities have clear and compelling statements of the strategic direction that gives the management group a rallying call that helps them

coalesce as a team. Conversely, the senior management team members of these municipalities are willing to subordinate their individual functional interests to the overall needs of the municipality. Hence, they are able to develop clear statements of priorities.

Effective municipalities make corporate strategic choices; decide what not to do as well as discussing what to do. The functional team leaders of effective municipalities, who form part of the senior management team, each stand to gain or lose by the choices they make. An example that can be cited is when the senior management team decides to put more emphasis on reducing Corporate Services costs in order to increase funding for infrastructure development.

These decisions need the municipal manager, with the senior management team and staff members at the lower levels, to create a partnership built around the development of a compelling organisational direction, the creation of an enabling organisational context, and the delegation of authority to clearly accountable individuals and teams. The team, as a collective, is involved all the way in the change process so that its effectiveness is tested and developed. They advocate direction but also learn from the feedback they receive from the bottom.

Implementing new strategies requires large-scale transformation. Kotter (1996) describes management as “a set of processes that can keep a complicated system of people and technology running smoothly”, and leadership as “a set of processes that creates organisations in the first place, or adapts them to significantly changing circumstances.” In effect this means that successful transformation needs leadership primarily and management to a lesser extent.

Transformational leaders know and understand that the process of initiating transformation starts with the municipal council – political leadership - creating a sense of urgency for change. They understand that the urgency can come from reversing recent underperformance, responding to changing competitive environment, or stretching the municipality much further than it currently is stretched.

High performance municipalities do not launch major organisational change merely out of fear. Their leaders, who are effective, also motivate change by providing inspiration about the future. The inspiration in most cases revolutionises the entire municipality so that it has the speed and agility of a small private enterprise, which means that people must move out of their “comfort zones”. It requires total organisational commitment to service delivery. Senior executive managers energize even their currently successful departments for innovation and breakthrough performance by setting stretch targets that cannot be achieved by “business-as-usual” operations. The stretch targets break employees out of their complacency that current performance is both good and adequate.

The development of the performance management system is not just a technical issue in the high performance municipality. It is a change management process. Managers have accepted the system because they do understand the rationale behind its existence. They have created a support base for the performance management system during the development stage. The support systems that include change management processes convince management to accept and support the implementation of performance management and the performance management system.

6.6.2. Alignment

6.6.2.1. Accountability and Action

Previous research indicates that a number of mechanisms like team work are at play in every organisation that helps to provide a set of collective attitudes and behaviours that either sustain or impair competitiveness. In pursuance of this finding, successful municipalities reported strong teamwork and cooperation among managers as compared to unsuccessful ones.

Teamwork and cooperation are the results of the frequent and regular use of the performance management system, which requires alignment between organisational culture and culture that is needed to practise performance management. This performance culture has to be based solely on continuous performance



improvement, innovation and organisational learning. Punishment should not be used as part of the equation.

Municipalities should build this improvement culture, one in which mistakes are seen as sources of improvement and not as causes for punishment. High performance municipalities regard the practice as a culture in which there are cordial relations between management and employees, teamwork, absence of paternal role patterns, long-term strategic focus, and a degree of tolerance for ambiguity.

This culture motivates managers to use performance information and results as a basis for remedial and improvement planning. Municipalities are advised not to use the performance management system solely for accountability and punishment purposes, because the practice encourages managers to manipulate the performance results without necessarily solving the root causes of under-performance.

6.6.2.2. Alignment

Rapid change in the environment in which municipalities operate forces them to adapt their strategies and business processes continuously. These changes result in the review of the organisational performance management system, strategic objectives, priorities, and measures that are monitoring the implementation of the strategy. According to research, best practice municipalities recognise the need to monitor and improve the performance management system continuously. This review and alignment of the performance management system must be part of the annual strategic planning process.

During the updating process, sufficient consensus must be reached by all managers about the changes to be made in the performance management system to ensure total buy-in. If there is no review and alignment, the quality of performance management will decrease, and so lose its relevance to the managers, who might as a result be tempted not to trust the system.

The senior management team should formulate the strategy as a group and spend a significant amount of time discussing it with staff members at lower levels. This will

avoid the establishment of factions around conflicting strategies, which factions might tear the organisation apart.

Understanding the strategic direction helps resolve differences of perspective and liberates the municipality enabling it to be purposeful and tenacious. Lower level staff members are enabled to exercise independent judgement, if they know where the municipality is going and why.

High performance and strategy-focussed municipalities link their high level scorecard (Top layer SDBIP), which was developed at the corporate level, down to decentralised organisational units to create alignment and synergy throughout the municipality. In this way the scorecard becomes a mechanism both to create strategic awareness and skills among unit managers and to align the strategies of the decentralised units with one another and with the municipality. The SDBIP developed at the corporate level becomes a template for the creation of strategies elsewhere in the municipality.

Each department develops its own technical SDBIP in the light of its local situation. Measures at the individual department level do not have to add up to a corporate measure. The department managers (section 57) choose local measures that would influence the measures on the corporate SDBIP, but the measures are not necessarily a decomposition of the higher-level scorecard. In this process, the strategies of departments become aligned so that the cumulative impact of each department performing well would be reinforced by the actions of all other departments.

The alignment process requires the municipality to go through a major mental change or a paradigm shift. Traditional organisations use a hierarchical chain of command to direct corporate objectives downward so as to become sub-objectives for each business unit, which gives them little opportunity for integration or synergy. However, when departments develop their own scorecards, linked to the corporate SDBIP, all departments become aligned to common and reinforcing strategic themes. This notion was confirmed by Lingle and Schiemann (1996) when they concluded their research by saying “effective organisations are organic, integrated entities in which different units, functions and levels support the corporate strategy

and one another.” Integration, which is known as “line of sight,” is achieved through these common strategic themes.

6.6.2.3. Monitoring and Evaluation

The effectiveness of a performance management system is determined by the degree to which staff members actually feel responsible for the results, and also their willingness to use the system to obtain performance information, which may help to improve the results. Research later found that a non-committal organisational culture is a real threat to the desired performance-orientation of an organisation. It was found that the degree to which one feels responsible is expressly different from the degree to which one is made responsible. To stimulate feelings of responsibility, a municipality has to look at two main elements of relevance of controls and possibility of influence.

The study further found that the degree to which organisational staff members feel responsible for their results is connected to the relevance of the performance indicators that measure their responsibility area. The more relevant these indicators are according to the staff members, the stronger the stimulus will be for them to engage themselves. For example, a supply chain manager will generally not be stimulated to take remedial action when the overall municipal organisational performance results are lagging. However, when he/she is made aware that the unnecessary delays in the supply chain processes cause the organisational underperformance, he/she will be strongly motivated to take responsibility and improve the procurement processes, which might then improve the results. This shows that the defined critical success factors and key performance indicators have to be evaluated regularly on their relevance for control purposes. That is, asking whether they still give an accurate picture of the performance of the responsibility area of an employee and its link with overall organisational performance. After all, because of the dynamic nature of the environment in which municipalities operate, there may have been many internal and external changes since the indicators were originally formulated, and the content of the performance information may thus no longer be representative.

Taking responsibility for results requires that individual staff members are given the opportunity to influence their results favourably. This implies that employees have to

be empowered by their managers to take independent and swift corrective action when unintended results occur, without having to request permission to do so. It also makes it imperative for individual staff members to be involved in defining the right performance indicators for their responsibility areas.

6.6.2.4. Review and Update

High performance municipalities define action orientation as the degree to which performance results actually stimulate decision making to improve performance. They regard action orientation as a good predictor of the effectiveness with which performance management is being applied. After all, if performance information does not lead to action, the added value of this information will be zero. To take action on performance information, these high performance municipalities look at integration, remedial action management and preventative action management.

They consider integration as the degree to which performance information is integrated into daily operational management. When there is good integration, performance information is regarded by staff members as crucial for their ability to perform their functions effectively. This means that performance information is the main basis for decision-making and management reports contain actual performance against set indicators, analysis and action reports, and are always discussed during management meetings and strategic review sessions.

Remedial action management entails staff members taking immediate action on underperformance in order to influence results positively. This requires consistent, continuous and transparent reporting on organisational performance, regular monitoring of progress made, and continuous analysis to find opportunities to improve performance. It has to be clear to staff members, which remedial actions are to be taken, and by whom. Finally, a consistent evaluation has to be made of the results of the remedial actions.

The best practice municipalities use preventative action management where employees are required to take preventative action on “unfavourable prognosis in order to prevent problems from actually occurring”. They use a rolling forecast, an important tool in this respect, which looks four to six quarters ahead at expected

results. As is the case with remedial action management, staff members need a clear insight into which preventative actions have to be taken and who is responsible for these actions. The results of the preventative actions also have to be evaluated. By having management reports containing actual performance information against set indicators, analysis and action reports at their disposal, staff members are abreast of the progress and the results of the preventative actions. Discussions of the rolling forecasts do not focus on the reasons for expected lagging results, but rather, on the quality of the prognosis and preventative actions and whether additional action taking is needed.

6.6.3. Balanced Strategic Performance Framework

6.6.3.1. Budget Link

It is critical to align the budget to the corporate strategy (corporate SDBIP) if the municipality intends to focus on the implementation of its strategy. Studies conducted report that more than half of the companies surveyed used their budgets as their primary management system for setting targets, allocating resources, and reviewing performance. The negative side of the practice of using budgets as primary means of exercising control in municipalities is that management is forced to focus on short-term financial gains, which is myopic because community developmental needs in most cases should drive the budget.

This limitation of management by the budget was made apparent by Jack Welch when he said, “making a budget is an exercise in minimalization.” Bob Lutz also supported the sentiment when he declared that “budgets are tools of repression, rather than innovation”.

The Balanced Scorecard and recently, the Performance Prism, have emerged as new systems of managing strategy instead of the budget, as strategy has become critical for organisational success. An example that can be cited is the municipal integrated development plan that is formulated after identifying community needs. This is a five-year strategic plan that informs the municipal budgetary processes for this period.

The alignment promotes and stimulates learning, problem-solving, decision-making and adaptation rather than controlling and maintaining performance on a trajectory established during the budgetary process

6.6.3.2. Data Processes and Information Technology Support

Managed competition and performance management can be effective only if information systems reveal full and accurate information about cost and quality. Yet part of the problem in municipalities suffering from corruption is the almost complete absence of management information systems. Managers are unable to detect fraud when it occurs because there is poor, or a lack of, management oversight.

Recent developments in the area of information technology are amongst the reasons why performance management experienced a breakthrough. Studies conducted by Ho and McKay (2002) demonstrated that timely feedback is critical when organisations try to encourage and reinforce employee performance behaviour. Feedback can be possible only once performance information is continuously collected electronically during the month, quarter or year. To manage the expected information effectively requires the data collection and reporting processes to be aligned to the logic of the performance management system framework. It also requires the components of information technology - with analytics capabilities - to be appropriately configured and managed to create an integrated performance management system.

6.6.4. Organisational Culture

6.6.4.1. Reward and Compensation Link

There is a strong body of opinion, in both psychology and accounting, which suggests that performance measures are likely to have a stronger impact on the reaction of individual employee and the subsequent behaviour if indicators are used to evaluate the performance of the individual employee. It is, therefore, most likely that employees will be motivated to respond positively to feedback on performance results if they are evaluated on the measures.

For this reason, the implementation of a performance management system has to be supported by the reward system of the municipality. By tying the performance measures to rewards, the municipality will ensure that the employees do what is best

for the organisation as a whole. The reward system will positively reinforce the desired employee behaviour. Consequently, the performance management system and the reward system must be aligned to ensure that employees are adequately rewarded for the expected results on the measures. Rewards function as an incentive for employees to use the performance management system.

6.6.5. Communication LV5

6.6.5.1. Involvement of Employees

High performance municipalities align personal goals and objectives with the organisational objectives for strategy to become alive and truly meaningful to employees. They provide individual employees with a broad understanding of corporate (Top-layer SDBIP) and business unit (Technical SDBIP) strategy. These strategies explain where they (employees) fit into the strategy maps of their municipality and how they can contribute to the achievement of the strategic objectives. These municipalities establish individual objectives within the PMS framework to ensure that they are cross functional, long term and strategic.

The goal of the framework is to establish a clear line of sight from employees at the “coalface” who deliver services to customers on a daily basis, to the team, the business unit, the component, the department and finally the corporate level. Employees have to understand how their jobs contribute to the overall business goals.

Heads of departments (section 57 managers) of these municipalities conduct monthly performance review meetings to develop and monitor strategic and cross-functional plans for continuous improvement. The strategic plan includes strategic goals, root-cause analysis for problem areas, identification of the team to implement the remedial action plan, and the time line for implementation. Each operations supervisor or team leader develops action plans aligned to the strategic plan. The action plan components or key performance areas become elements in the quarterly performance reviews of supervisors.

Strategy-focussed municipalities have shown that human resource systems that are designed to provide clear objectives for employees do not typically align to strategy.

To overcome this challenge their leadership team explains the corporate strategic measures and how employees can affect them. They request the employees to use the measures to set priorities for their work and to stop doing work that does not directly relate to improving measures.

These municipalities demonstrated that the strategic plan can come alive only when it links measures to specific employee development and change programmes. Their human resource departments define accountabilities, skills and knowledge, performance indicators and behavioural competencies (performance plans or agreements). These requirements define the type of people the organisation wants and show how they would make specific contributions to the strategic goals and objectives. The job family definitions and measures identify training and development needs and serve to guide promotion and career-planning progression.

They further argue that when individuals can construct their own performance plans or scorecards, then the employee training and development processes have produced the clearest mechanism for aligning individual objectives to business unit and corporate objectives. The personal scorecards are now beginning to be used to integrate personal development goals and performance management to scorecard measures and results that are tied to compensation.

Public sector organisations tend to build their resource allocation and control processes around programmes, as they are typically funded through authorised programmes. Programmes also provide the linkage from the activities of the employees to the mission of the government department. The disadvantage of the practice is that programmes are so structured that individuals are not left with much of a role for innovation and cross-functional initiatives. They may not find ways to add value to objectives and measures outside the specific jobs and tasks assigned to them.

Companies have many ways of linking the behaviour of individual employees to business unit and corporate objectives. Homogeneous organisations whose outcomes are relatively easy to measure – such as financial institutions – can focus on relatively few measures, mostly in the financial and customer perspectives. With

only a few measures, executives ask employees to be innovative to find new methods of achieving the desired organisational outcomes.

More complex municipalities share the expected outcomes and planned strategy with individual employees and allow them to define personal objectives they can influence that will have an impact on the organisational objectives. The structure becomes even more formal when the personal objectives are developed either through personal scorecards or integration with quality deployment and human resources development processes.

6.6.5.2. Communication and Reporting

Results of previous studies agree that effective performance management requires optimal communication about the strategic direction of the municipality, the boundaries within which staff members are allowed to operate independently, the results to be achieved, the actual results achieved, and lessons learned. Communication and alignment are needed for staff members with the same frame of reference in respect of performance information, so that everybody in the municipality interprets this information in the same manner. To stimulate communication, the municipality considers vertical and horizontal communication as the cog around which employees and the municipal council are connected.

The report argues that, if employees are to be motivated to assist the municipality to achieve its strategic objectives, everyone must understand the strategy of the municipality. To achieve this, it is recommended that the Performance Prism (Figure 6.1) be used to communicate strategic objectives to employees, not to command them about what to do. The report argues further that, for organisational strategy to succeed, management would have to make everyone aware of the strategy and accountable for its success. That is why there is a need for signing performance agreements and plans with employees. The scorecard provides a bridge to translate the corporate strategy into operational plans at the coalface where strategy must be effectively implemented.

According to De Waal (2004), top-down communication consists of “feed forward” and “feedback” sub-elements. During the feed forward, top management sets a clear common direction for the municipality by communicating the strategy, priorities and

results to be achieved. In this way, staff members know which way the municipality will go and whether they can experience a sense of belonging or not. During feedback, top management gives a clear picture to all staff members of the overall consolidated performance results of the municipality and all the individual departments, components or units. As a result, staff members know the situation in which their municipality is and this can increase their commitment to it.

Bottom up communication also consists of “feed forward” and “feedback” sub-elements. During feed forward, lower level staff members structurally provide top management with planning information to enable them to base its strategy on a strong foundation. Successful executive managers argue that incorporating the lower level information in the strategy formulation processes increases the support base for the strategy. During feedback, lower level staff members structurally provide top management with information on the results they have achieved, “so a clear picture of the organisational performance emerges”

According to these executives of successful organisation, vertical communication requires a well-designed communication structure, which is aligned with the existing consultative fora to ensure that no inefficient overlaps occur. They report that an important precondition for effective communication is a positive culture that is not aimed at punishing bad performance results but at continuous improvement and learning. In such a culture, staff members are confronted with their performance results in a positive manner aimed at discussing possible remedial actions to improve these results. One of these executives confirmed the argument by reporting that “it is evident that performance measurement was focussed on management action, in particular driving improvement and facilitating organisational learning”.

The executives further argue that regular horizontal exchange of information between organisational units or components leads to increased insight into the overall performance of the municipality and the role these units or components play in reaching these results. Further exchanging information about challenges, solutions, best practices and lessons learned stimulates the overall quality of the municipality and fosters a performance-driven behaviour. According to Choo (2000)

and Senge (1994), this organisational culture that stimulates information exchange, and rewards, it is needed.

The municipality should use a comprehensive and continuous communication process, based on the Performance Prism, to ensure that everyone has understood the strategy (Neely et al., 2000). The process should start with the executive leadership team visiting all work stations to explain the strategy to employees in simple terms. This will assist the organisation in avoiding the natural scepticism and cynicism among jaded employees that yet another new corporate initiative has been launched (Beer & Eisenstat, 2000; Gates, 1999; Kaplan & Norton, 2001; Lingle & Schiemann, 1996; Maisel, 2000).

According to "high performance municipalities", the lack of strategic consensus and clarity undermines effective upward communication. Employees, unsure of where the municipality is supposed to be going, cannot help get it there, nor can they warn those at higher levels when the engine is "skipping the track".

Ho and McKay (2002) agree with this argument by saying that the discussion of strategy with all employees will open vertical and horizontal communication, which will allow employees, as individuals who recognise challenges, to engage senior management in an honest, open and candid discussion without fear of victimisation and reprisal.

A lack of communication forces employees at the lower levels of the municipality to consider that it is better to keep their observations to themselves immediately they suspect that senior managers prefer to avoid potentially threatening and embarrassing issues with them. This increases cynicism.

Lingle and Schiemann (1996) suggest that an honest, fact-based dialogue should be established with staff members at lower levels about the new strategy and the barriers to implementing it.

Beer and Eisenstat (2000) further argue that, if those charged with strategy implementation cannot tell senior managers about problems, their municipality has no early warning system. Only after programmes fail can remedial action be taken. Even then, most remedial actions focus on programme content and not the root

causes of strategy implementation (Lingle & Schiemann, 1996). New goals, resources, technical programmes and staff members will not solve the root problems. Lower level staff members become cynical. They realise that their inability to communicate openly and directly with the leadership and management teams about their role in blocking strategy implementation makes it highly unlikely that problems will be corrected. Frustrated, they adopt a passive stance. Lost is the commitment of employees to do everything in their power to make their municipality successful.

An open communication structure is important in conveying the reasons for the performance management system implementation. The performance results should be freely available to everybody in the municipality. This practice helps to inform people in the municipality about their performance and the overall performance results of the municipality.

Strategic objectives and measures should be communicated throughout the municipality by using meetings, workshops, newsletters, bulletin boards, videos, DVDs, and even electronically through “groupware” and networked personal computers. The communication serves to demonstrate to all employees the critical nature of organisational performance management if the municipality is serious about providing quality and sustainable services to the communities, to give them “*a better life*” as promised.

Performance Prism (Figure 6.1) scorecards (corporate, business unit, operational, team and individual) and success maps have to be developed to provide a strong basis for communicating and gaining commitment to the strategy of the municipality from senior and executive management and the municipal council. The scorecard encourages a dialogue between employees, senior managers, executive committee members, and the municipal council, not just about performance results, but about the formulation and implementation of strategy for breakthrough performance for the future.

At the conclusion of the communication and alignment process, everyone in the municipality should understand the long term goals of the municipality, as well as the strategy for achieving these goals. Individual employees have formulated personal

action plans that will contribute to achieving the goals of the municipality. And all organisational efforts and initiatives will be aligned to the needed change processes.

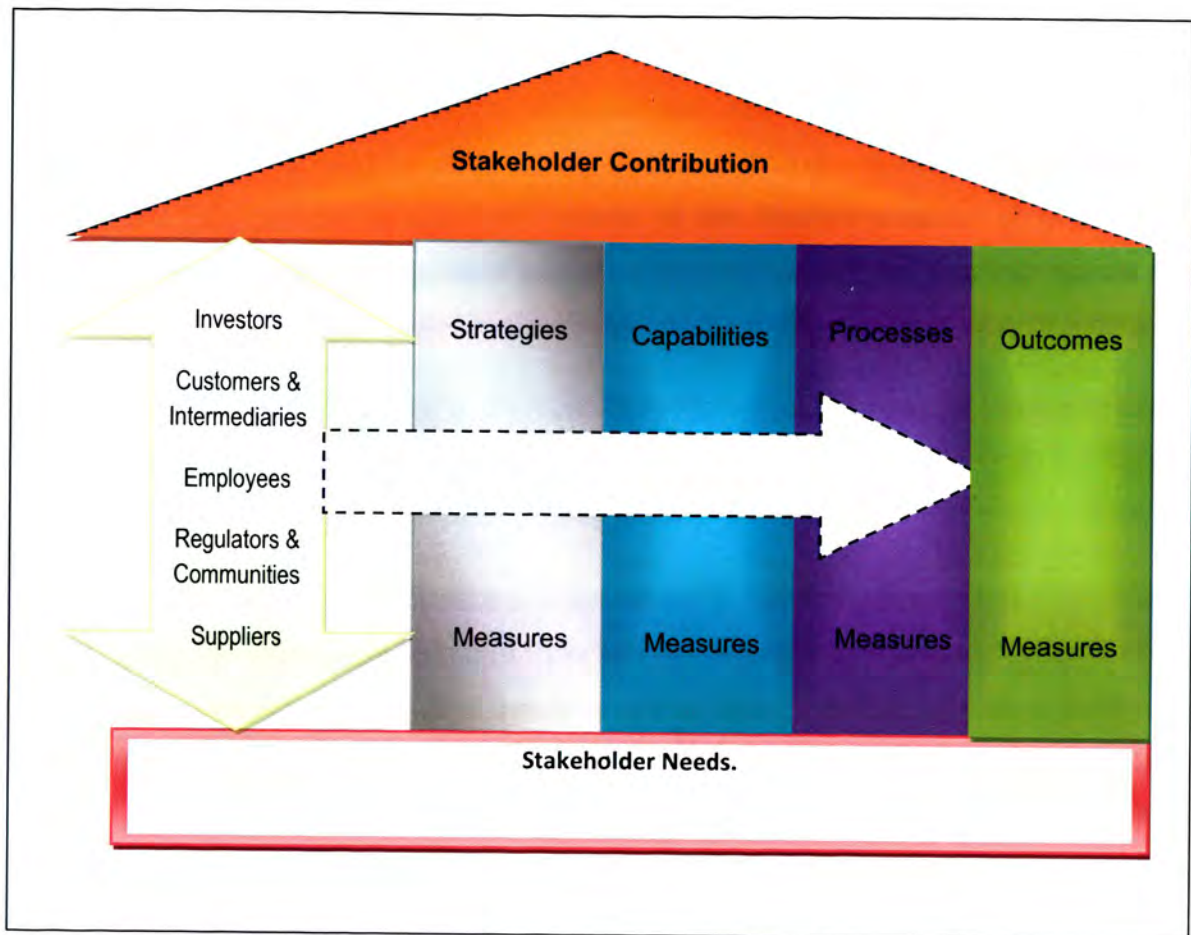


Figure 6.1: Municipal Performance Prism: Adapted from Neely, Adams, and Kennerley,(2000) (Modified).

6.7. General Recommendations

The main conclusions of the research are about the acceptance or the non-acceptance of the hypotheses listed under section 3.5 in chapter three. The recommendations offer empirically tested ideas on how to foster a culture of performance management within local government in order to find solutions to service delivery in the North West province.

It is recommended that the present study and its findings should form the basis for infusing municipalities with organisational performance management thinking and culture.

It is specifically recommended as follows:

- 6.7.1. The modified Performance Management Assessment Questionnaire (PMAQ) instrument should be adopted by all South African municipalities to determine the role of the behavioural factors in the implementation of organisational performance management systems and to determine training needs in this field. The modified instrument is valid and reliable for their environments.
- 6.7.2. An intervention similar to the one used for the experimental design of this study should be adopted by all South African municipalities to foster their organisational performance management culture.
- 6.7.3. The failure of municipalities when designing and implementing a performance management system is that they are not taking into account human behaviour and national culture that have a direct effect on the use of a performance management system. It is, therefore, argued that the successful implementation of a performance management system depends on understanding and accommodating the behavioural factors of performance management.
- 6.7.4. It seems, therefore, that behavioural factors and culture need to be incorporated into the design and implementation of an effective performance management system.
- 6.7.5. The first critical piece of DNA determines the purpose of public systems and organisations. A municipality cannot achieve high performance if it is unclear about its purpose or has multiple and conflicting purposes. A municipality must have a core strategy that clarifies its purpose and deals with the function of local government, which is the steering function. The core strategy eliminates functions that no longer serve a valid public purpose or that can be better done by the private sector or another level of government. It uncouples steering from rowing, so that each sphere of government or organisation can

focus on one purpose. And it improves the ability of municipalities to steer by creating new mechanisms for the formulation of goals and strategies. This needs serious managerial leadership (Councillors) commitment.

- 6.7.6. The second key piece of DNA determines the incentives built into the public systems. Bureaucratic DNA gives employees powerful incentives to follow the rules and keep their heads down. Consequently, innovation can bring only trouble, but the status quo guarantees steady rewards. Employees are paid the same regardless of the results they produce. Municipalities are insulated from failure because they are monopolies. Unlike the private sector, municipalities do not lose revenue or go out of business if the competition does a better job.

The re-inventers (strategic planners) of municipalities' should rewrite the genetic code to change incentives by creating consequences for performance. They can create public entities and make them dependent on their customers for their revenue. When that is not appropriate, they could use contracting to create competition between public and private organisations (PPPs). When neither is appropriate, they should simply measure performance and create consequences (both positive and negative).

- 6.7.7. Municipalities must break down the rigid functional silos that the bureaucratic designers of organisations created to eliminate the many management jobs designed to command and control workers to ensure their compliance. Workers must figure out how to achieve the goals of the municipality, and not merely follow the rules. Instead of workers having detailed job descriptions, there should be work teams, where they could pool their skills to get the job done. New roles should be developed for managers to play, as coaches, facilitators, strategists, as practically anything but controllers because employees will be expected to take control of their own work.

- 6.7.8. Municipalities are accountable to elected officials (councillors, MECs, legislatures, parliament and ministers), who create them, determine their functions, and fund them. Because these politicians are under constant pressure to respond to the demands of stakeholders, they may be more

worried about where public resources are spent than about the results they produce; hence the use of the Performance Prism is so crucial (Figure 6.1).

6.7.9. Implementing new strategies, like organisational performance management, in local government requires large-scale change (Kaplan & Norton, 2001), which Kotter (1996) described as transformation. From this he describes management as “a set of processes that can keep a complicated system of people and technology running smoothly” and leadership as “a set of processes that creates organisations in the first place or adapts them to significantly changing circumstances”. In effect this means that successful transformation needs primarily leadership and management to a lesser extent. Councillors, are therefore, firmly encouraged to champion the implementation and use of organisational performance management systems in municipalities.

6.7.10. Senior managers (Municipal Managers and Heads of Departments) must conduct monthly business performance review meetings to develop and monitor strategic and cross-functional plans for continuous improvement. The strategic plan should include strategic goals, root-cause analysis for problem areas, identification of the team to implement the remedial action plan, and the time line for implementation. Each operations supervisor or team leader should develop action plans aligned to the strategic plan. The action plan components or key performance areas become elements in the quarterly performance reviews of the supervisors.

6.7.11. Previous research has shown that human resource systems that are designed to provide clear objectives for employees do not typically align to strategy (Kaplan, 1998). To overcome this challenge the leadership team must explain the corporate strategic measures and how employees can affect them. They should ask the employees to use the measures to set priorities for their work and to stop doing work that does not directly relate to improving measures.

Kaplan and Norton (2001) and Maisel (2001) argue that the strategic plan can come alive only when it links measures to specific employee development and

change programmes. The human resource department should define accountabilities, skills and knowledge, performance indicators and behavioural competencies. These requirements define the type of people the organisation wants and illustrate how they would make specific contributions to the strategic goals and objectives. The job family definitions and measures would identify training and development needs and serve to guide promotion and career-planning progression (Ulrich, 1998).

- 6.7.12. The improvement culture, in which mistakes are seen as sources of improvement (organisational learning) and not as causes for punishment, can be characterised as a culture in which there are cordial relations between management and employees, teamwork, absence of paternal role patterns, long-term strategic focus, and a degree of tolerance for ambiguity (Hofstede, 1984).

This culture motivates managers to use the performance information and results as a basis for remedial and improvement planning. According to De Waal (2002), if an organisation uses the performance management system solely for accountability and punishment purposes, managers will be encouraged to manipulate the performance results without necessarily solving the root causes of under-performance.

- 6.7.13 Taking responsibility for results requires that individual staff members are given the opportunity to influence their results favourably (Samson & Challis, 1999). This implies that employees have to be empowered by their managers to take independent and swift corrective action when unintended results occur without having to request permission to do so. It also makes it imperative for individual staff members to be involved in defining the right performance indicators for their responsibility areas (Vosselman, 1999).

- 6.7.14 The results of both normative and empirical studies, as indicated in Figure 6.2, demonstrate that to have effective municipal organisational PMS the managerial leadership of the municipality must show serious commitment to the development, implementation and use of performance management. This commitment must inculcate an organisational culture where people are

employed and placed in senior and top management positions because of nothing other than their experience, skills or qualifications. Competent managers will have the capacity to develop and implement clear and balanced strategic frameworks that are aligned with organisational structure and the budget. They will be able to analyse the performance information continuously to enable them to take decisions to develop internal benchmarks, continuous improvement plans (organisational learning), and to allocate resources where they are most needed. These decisions and plans must take aspirations, concerns and fears of all employees into consideration and be made known to all stakeholders.

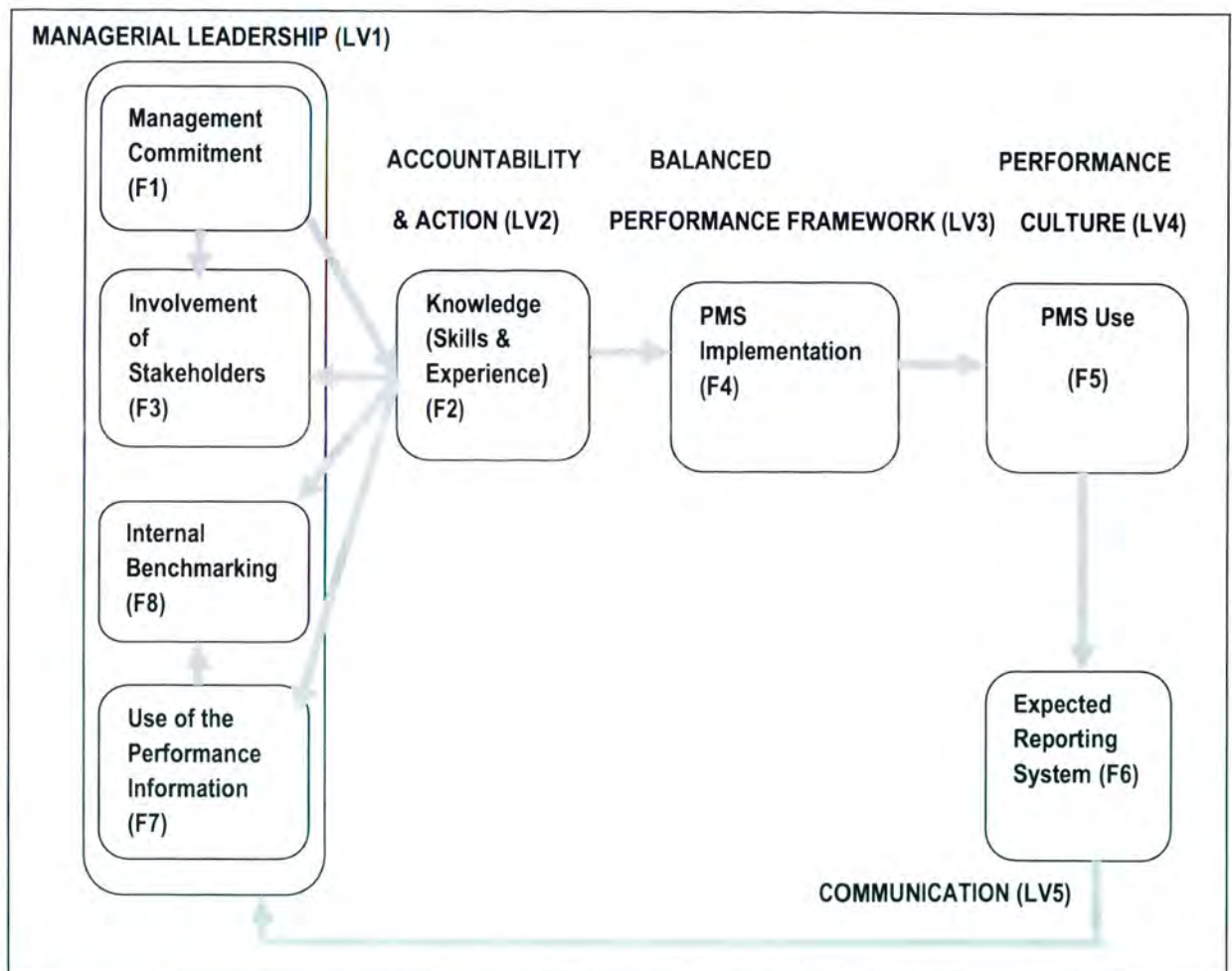


Figure 6.2: Effective Performance Management Framework (Recommended).

6.8 Limitations of the Study

The research presents certain limitations in respect of theoretical questions and methodological issues despite the conclusions drawn about the relationship between the behavioural factors and organisational performance management. Some weaknesses of the study and thoughts about future research that might help to solve the shortcomings of the thesis are discussed in this section.

Owing to time limitations, not all municipal councillors and workers of the experimental group were trained on municipal organisational performance management. Therefore, the results of the study reflect to an extent the trickledown effect of the training of PMS Managers on organisational performance management systems. Furthermore, the number of individual responses from the Focus Group and the Control Group was statistically too small to draw general conclusions about those municipalities. However, for the purposes of the design of this study, the number of responses from the Focus Group and Control Group was, collectively, statistically adequate to serve the study design purpose.

The study of municipalities in the North West Province is subject to a number of limitations. Firstly, the research population is not necessarily representative of all municipalities in the province or in South Africa, as the study was carried out only in selected municipalities. Secondly, the respondents to the questionnaire may have rated their own municipalities more favourably than an outsider would have done. Thirdly, there may well be other dimensions that influence performance-driven behaviour, which have not been included in the design of Performance Management Analysis Questionnaire (PMAQ).

Although the conceptualisation of managerial leadership commitment from the behavioural context provides a new approach to the analysis of commitment from the management and leadership perspective, the approach assumes a static vision of the concept, referring to the determination of the municipal councillors at a certain point in time. An interesting line of research could be to integrate a more dynamic perspective to the definition of managerial leadership commitment. Future research should consider the role of knowledge (dynamic skills and experience) in the selection and placement of managers in local government. The dynamic capability

approach focuses on “resource renewal” and also on organisational activities aimed at realigning and transforming resources so as to address environmental changes. Organisational learning would take place during the coordination, integration and transformation of resources. The inclusion of knowledge in the study of commitment implies the consideration of a higher-level source of managerial leadership. Thus, in developing the concept of managerial leadership commitment presented in this research further, the ability of the municipal council to select and properly place managers in correct performance areas should be taken into consideration.

Other limitations of the study relate to the methodology employed in the empirical research. Regarding data collection, opinions of only executive committee members and senior managers on their ability to manage organisational performance were considered. It would be preferable if more direct measures, such as spreading the selection of respondents throughout the municipality to obtain a balanced view of the situation were employed. This data collection method enables the researcher to obtain more realistic information about the views of the respondents.

Moreover, collecting data directly from a wider sample would identify the background and knowledge of individual employees. For instance, when analysing skills flexibility, a number of individual characteristics should be taken into account, such as employee experience and individual learning orientation. The inclusion of these variables in future studies could help in understanding why some employees are more flexible than others and, therefore, this would give councillors or managers some idea about which candidate should be selected or trained more intensively when the municipality faces changing conditions. Additionally, by identifying individual skills background, a better understanding of the influence of experience and knowledge on employee behaviour could be provided, since those antecedents may be used as variables to isolate the impact of knowledge on behavioural factors like managerial leadership. The results of this study provide adequate evidence in support of the sound principles of organisational performance management, especially on behavioural factors, documented in literature. Furthermore, the results contribute to the science and body of knowledge on corporate organisational performance management systems, and establish a platform for a longitudinal study

on the effects of employment practices by municipalities in the implementation of organisational performance management systems.

It is suggested that further research on the effects of municipal employment practices, especially cadre deployment, on the overall organisational performance management be conducted on constructs such as management support, strategic leadership, communication and decision-making. The intention may not necessarily be to prove causal relationships but mainly to determine whether the variables, behavioural factors and organisational effectiveness or performance, are independent of one another, and, if they are not, then to determine the strength or magnitude of the relationship (Cooper & Schindler, 2003:162).

6.9 Final thoughts: Organisational performance management: fashion or fad?

Organisational performance management systems are high on government agendas worldwide and it must be assumed that there is global consensus within governments over the potential merits of such systems. Organisational performance management in government has the potential of enhancing the effectiveness of public policy implementation, but it will succeed only where it is effectively implemented and applied holistically both within government and across governmental activity. Organisational performance management in government is globally fashionable, but it may become a transient hobby (a fad) unless it is effectively implemented and continuously responsive to internal and external challenges. Politicians and public managers can promote the sustainability of organisational performance management, but the extent to which it becomes embedded will depend on the extent to which organisational performance management performs.

Potential problems may arise when policy outcomes are not achieved or there are clear gaps between desired performance levels and performance levels attained. Ideally the organisational performance management system would cover all of the performance areas of the municipality, the information would be as close to 'real time' as possible, and all the information relating to the performance achieved would be in the public domain with well presented summaries appearing in the form of 'traffic lights' at regular intervals on the performance website of the municipality.

If government is committed to the principles of organisational performance management in local government it must be prepared to address both the good news and the bad news. In saying that, the early evidence of comprehensive organisational performance management systems in municipalities must lead to the conclusion that they appear to enhance performance, responsiveness and that they empower citizens, and, as such must be seen as a positive development in public management.

It is too early to conclude that the impact of organisational performance management systems in local government has been a success as the entire government systems have been introduced globally only over the last ten years. At sub-governmental levels the evidence published in the United Kingdom is that such performance management systems have contributed to enhanced public service performance, albeit that these systems have largely focused to date on municipal/local government, and evaluations have tended to focus on inputs, process and output enhancement and not on outcomes achieved.

There is evidence of effectiveness if the system is organisation-wide and linked to strategic planning and budgetary management systems. The organisational performance management systems act as concurrent controls providing essential management information as an aid to decision making at all levels. Benefits relate to improved organisational performance, better management, better stakeholder communication, and better relations (both internally and externally). Organisational performance management systems in a government context have the potential for benefitting multiple beneficiaries: politicians, civil servants, others involved in service delivery, other stakeholders, and the ordinary citizens.

The premise underpinning these answers, however, is that performance improves, in part, as a consequence of a holistic organisational performance management. The difficulties of effective policy implementation and the problematic consequences of performance measurement systems will always apply, and an organisational performance management system is no guarantee of policy success.

Policies fail because of bad policy formulation, bad execution or bad-luck and there may be some sense that governments have to introduce systems of organisational

performance management not because of their potential benefits but because other governments are introducing such systems and the rhetoric of an organisational performance management system in government may be sufficient to appease the public. It may be that the policy of organisational performance management becomes a substitute for action. This approach may be useful when confronted by a problem, which is difficult to address (low tractability), and policy implementation activity may result in no tangible signs of improvement. The policy as a statement of intent becomes a substitute for action, and the organisational performance management system is never effectively implemented.

6.10 Findings

The findings in this doctoral thesis are reported as prescribed by the North West University. The main conclusions will be discussed with municipal managers whose municipalities participated in the study and the Head of Department of Local Government and Traditional Affairs in the North West province. It is also envisaged that the findings and conclusions will be widely published in performance management and measurement journals and presentations will be made during the international annual conference of the Performance Management Association (PMA).

APPENDIX “A”

MUNICIPAL ORGANISATIONAL PERFORMANCE MANAGEMENT ASSESSMENT QUESTIONNAIRE

1. ORIENTATION

WHAT IS THE RATIONALE BEHIND THE STUDY?
Background: Municipalities are required by the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) to develop and implement organisational Performance Management Systems (PMS), which can act an early warning system of underperformance or unintended consequences. The implementation and use of the PMS is aimed at improving the provision of services to communities and assist municipalities to account for their performance. The management dilemma facing the ministry of local government is: a large majority of municipalities in the North West province are unable to submit annual reports and those that do, their reports have no substance. The main objective of the study is, therefore to identify and evaluate the role played by behavioural factors in the development and implementation of organisational PMS. The report of the evaluation will assist in ensuring that all municipal role-players understand and appreciate the value of transparent reporting in line with the municipality's strategic direction, goals, objectives, and key performance areas.
What is the main objective of the questionnaire? In an attempt to understand the role played by these behavioural factors (Performance Drivers) we hereby request 10 minutes of your time to please complete this questionnaire anonymously. This study will only have value if all selected (targeted) stakeholders provide their true and honest opinions of the statements as presented. The responses will be used primarily for the completion of my PhD thesis and municipalities to better understand the performance drivers, as well as input to the development, implementation and use of an effective organisational PMS.
Who should complete this questionnaire? Members of the Executive or Mayoral Committees; Municipal Managers and their direct reports plus Unit or Section Managers in all municipalities in the North West province. However, even though the study is focused mainly on the management of the municipality because of their involvement in the development and implementation of the PMS, it is crucial that this questionnaire is also completed by other employees because this will ensure meaningful representation. Furthermore, the study is aimed at assisting municipalities to inculcate the culture of performance management throughout the municipality.

What to do with completed questionnaire?

Hand over to the municipality's PMS Coordinator/Manager;

Email to: abeconsulting@telkomsa.net; or motseothatatau@gmail.com

Fax to: 012 997 5671; or

Mail to: Motseothata Tau, P.O. Box 1680, Wingate Park, 0153.

All questions should be directed to Motseothata Tau at 078 476 4825.

2. BIOGRAPHICAL INFORMATION.

Please provide the required information by placing a **CROSS (X)** next to the category that best describes you as an individual. The information is required for demographical classification purposes only. You are not required to disclose your name or post description to ensure anonymity and security.

1.	Name of Municipality.	
2.	Your position in the municipality.	Councillor
		Section 57 Manager
		Unit Manager
3.	Gender.	Female
		Homosexual
		Male
4.	Race.	African
		Asian
		Coloured
		White
5.	Length of Service.	1 – 5 years
		6 – 10 years
		11 – 15 years
		16 – 20 + years

PERFORMANCE DRIVERS.	
All statements in the questionnaire relate to one or more of the following Behavioural Factors:	
1.	Alignment.
2.	Balanced Strategic Performance Framework.
3.	Communication.
4.	Internal Benchmarking
5.	Management and Leadership Commitment.
6.	Organisational Culture.
SCALE.	
The level of your understanding of each statement can be expressed by using the scoring scale, as presented hereunder:	
1.	Strongly Disagree.
2.	Disagree
3.	Don't Know
4.	Agree
5.	Strongly Agree.

3. PERSONAL OPINIONS.

The following part is made of a number of statements that are aimed at determining how your municipality implements and uses the organisational performance management system (PMS) as prescribed by the Municipal Systems Act of 2000 (Act 32 of 2000). These statements are general opinions held by the communities about the state of local government in the North West province. Please study each statement carefully and mark with an (X) the statement that best fits your perception/opinion/experience. There are no wrong or right answers. These statements are merely meant to determine the facts or opinions about the implementation and use of PMS by the municipality.

STATEMENTS

Theme 1: Management Failure.	Opinions				
	1	2	3	4	5
V1.1. Performance information is hardly ever used by managers to manage and guide or direct employees.					
V1.2. Performance information is hardly ever used by managers during their decision-making					
V1.3. Aspirations, fears and concerns of staff members are never considered by senior management and council when formulating strategy					
V1.4. It happens (too) often that the same data elements have different values in different reports					
V1.5. There is infrequent and limited communication between departments and organisational units about their results					
V1.6. Knowledge and experience sharing between departments or organisational units is promoted and takes place regularly and frequently					
V1.7. Performance information is hardly used by managers for taking corrective actions (to solve problems).					
Theme 2: Effective Performance Management System.					
V2.1. Performance information is used by management to stimulate and coach employees.					
V2.2. Management does not engage employees who are underperforming.					
V2.3. When management engages underperforming employees; the exercise does not have any real consequences.					
V2.4. There is no transparent communication from the senior management and council about the performance of the municipality.					
Theme 3: Use of Performance Management System.					
V3.1. Changes in performance indicators are applied by top management (or a project group).					

V3.2. Targets are the result of negotiations on the improvement of current results.					
V3.3. Performance information consists of a set of financial and non-financial data.					
V3.4. Management frequently makes use of the performance information (i.e. by regularly discussing it with employees) in a transparent manner.					
V3.5. Performance information consists of a combination of numbers and graphs, so it is easy to read and comprehend.					
V3.6. Performance information is regarded by managers as essential for their day-to-day activities in managing their responsibility areas.					
V3.7. Rolling forecasts are made every quarter, of the expected results for the next 4 - 6 quarters.					
Theme 4: Performance Management Systems Implementation.					
V4.1. Execution of the strategy is not structurally monitored, using key performance areas (KPAs) and key performance indicators (KPIs) on all management levels.					
V4.2. Strategies of the municipality's departments are not aligned to the IDP and there is, therefore no synergy					
V4.3. Performance reviews are not aligned to the performance agreements of managers and they therefore do not add any value to the overall organisational performance of the municipality.					
Theme 5: Internal Benchmarking.					
V5.1. Departments and organisational units are not compared to each other in a structured manner (internal benchmarking is not used).					
V5.2. A reporting portal creates a one-stop-shop through which all performance information can be accessed from one place (for instance from the desk top).					
Theme 6: Use of Performance Management Criteria.					
V6.1. Performance information is structurally used as input and basis for the evaluation of managers and employees.					

V6.2. The huge remuneration packages paid to the municipal senior managers does not motivate skilled and qualified people to seek employment in the municipality.					
V6.3. There is a single format of standard performance reporting throughout the municipality, so results from different organisational units can easily be compared.					
Theme 7: Experience.					
V7.1. The municipal organisational performance management system is user-friendly.					
V7.2. Performance information is structurally used as input for the workplace skills plan (training program) of managers and employees.					
V7.3. Management is only interested in performance results at fixed moments (i.e. during quarterly review sessions).					
V7.4. Performance information is used by management for settling scores and immediately punishing underperformance.					
V7.5. Frequent and open communication takes place from lower organisational levels about their results, so top management has a good insight into the status of the organisation.					
V7.6. All performance reports are distributed to all and sundry even to irrelevant users.					
V7.7. Only exceptional results (negative + positive) are reported, so management knows directly what to focus on.					
V7.8. Performance information provided is mostly irrelevant because it does not serve the needs of the intended users/stakeholders.					
V7.9. Performance information is frequently unreliable, so that it is difficult to use it as a basis for decision making.					
V7.10. Managers do not feel committed to the results of the organisation; at the most they feel responsible for the results of their own performance indicators.					
V7.11. Managers and employees do not experience positive consequences and results of performance management, so they are not motivated to use it.					

V7.12. Managers and employees find performance management threatening to their 'comfort zone', so they generally oppose it.					
V7.13. Performance results are always analysed to uncover actual or root causes of underperformance.					
V7.14. Performance information is hardly ever used as input and basis for the rewarding of managers and employees					
Theme 8: Expected Reporting System (Communication).					
V8.1. Managers influence the results of their performance indicators positively.					
V8.2. Performance information is available through an easy to access information system like websites.					

APPENDIX “B”

MUNICIPAL ORGANISATIONAL PERFORMANCE MANAGEMENT ASSESSMENT QUESTIONNAIRE: FOCUS GROUP

Question No.	Investigative Question / Statement	Opinion / Response – Elaborate!
Theme 1: Managerial Leadership.		
1	Do municipalities in the North West province have effective organisational performance management systems?	
2	Do municipal councillors carry out their responsibilities in the development and implementation of the performance management system?	
3	Municipalities are using the performance information for decision-making on recruitment, performance improvement, resource allocation and management.	
4	Municipalities do not conduct employee satisfaction surveys to enhance the strategic planning process.	
5	Municipalities do have an integrated management information system (IMIS) that is effective.	
Theme 2: Alignment.		
6	The organisational structure, budget, PMS and skills development plan are aligned to the objectives and priorities of the IDP.	
7	The reward policies and practices of municipalities are aligned with PMS.	
8	The majority of senior managers in municipalities do not have the required skills for the positions they hold.	
Theme 3: Balanced Strategic Framework		

9	Municipalities balance political mandates and community needs against legal requirements during their planning sessions.	
10	There is no balance between the IDP and resource allocation.	
Theme 4: Knowledge.		
11	Performance information is structurally used as input for the workplace skills plan (training program) of managers and employees.	
12	Performance information is frequently unreliable, so that it is difficult to use it as a basis for decision making.	
13	Managers and employees do not experience positive consequences and results of performance management, so they are not motivated to use it.	
Theme 5: Communication.		
14	Performance information is available through an easy to access information system like websites.	
15	Most municipalities are unable to account for their performance as required by legislation.	
16	There is infrequent and limited communication between departments and organisational units about their results.	
17	There is no transparent communication from the senior management and council about the performance of the municipality.	



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